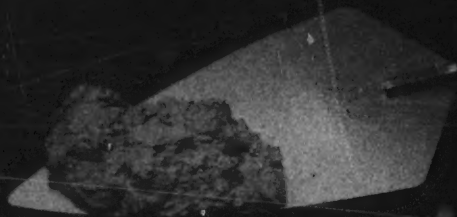


Chain Store Age **EXECUTIVE**

with Shopping Center Age
The newsmagazine for retail operations

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SAFEWAY

KROGER

**New
big builders
surmount the
obstacles**

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SEARS

Chain Store Age EXECUTIVE

Volume 58, No. 12

November 1982

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Big Builders focus on remodeling

Top retail builders are "improving the productivity of existing space" as well as adding stores

Despite a tough economy, total capital expenditures by the 1982 Big Builders are expected to reach \$4.34 billion this year, up 1% from the \$4.30 billion spent by the 1981 group.

There has been, however, a definite shift in priorities. A much greater percentage of these monies is being devoted to remodeling than to new store construction. Working "to improve the productivity of existing space" has become almost a mania.

At the same time, though, there is still a somewhat surprising number of stores being opened—surprising in view of continuing high interest rates and the marked slowdown in shopping center construction. This year top retail builders are adding approximately 49 billion sq. ft. of selling space, down about 15% from 1981's estimated 58 billion sq. ft.

Additions to selling space, net of store closings, also fell 12% to approximately 41.2 billion sq. ft. from 1981's estimated 47 billion sq. ft.

Largely responsible for these declines are the reductions in store construction being made by many of the perennial biggest of the Big Builders. Although not alone in limiting expansion plans, theirs are the largest slashes in building programs.

Sears, Roebuck, for example, has cut its additions to gross square footage of selling space by 14%, while additions to net square footage are expected to fall 31%.

Although J. C. Penney also has made cuts, the positions are somewhat reversed. Additions to gross square footage are expected to decrease 30%, but net additions are expected to decline by a slightly more modest 23%.

Penney's 1982 capital expenditures budget, however, is actually 56% above last year's. The increase is earmarked specifically for large-scale remodeling programs, aimed at providing Penney with more of a department store image.

Sears, though, decreased its capital expenditures—but by a very modest 2%. Again, money not invested in new space is being spent instead for modernization and refurbishing.

Also, Sears is continuing to open smaller stores—most in the 30,000-sq. ft. to 40,000-sq.-ft. range.

Conditions are very different at K mart, however, where this year's capital expenditures budget was chopped by a whopping 56%. Additions to gross square footage are expected to fall by 56%, dropping K mart down to the No. 5 position on the Big Builders roster, down from last year's first place finish. Additions to net square footage are also expected to decrease by 56%.

Meanwhile, there is emerging a group of what can be termed "the new big builders." These include: Dillard Department stores; Stop & Shop (the Stop & Shop supermarket chain plus a very aggressive expansion program by the Bradlees discount division); Supermarkets General (Pathmark and Rickel); Southland Corp. (convenience stores), and Toys "R" Us.

Although reportedly constructing fewer units than in past years, supermarket companies dominated the Big Builders roster on each of the three measures. Safeway captured the No. 1 spot for both capital expenditures and gross additions to selling space, at \$500 million and 5,128 million sq. ft. respectively (although both figures were down from year earlier levels). Kroger, with 41,100 million sq. ft., up 71% from 1981, took over No. 1 in terms of additions to net square footage.

The chief reason behind the strong showing by the supermarket companies again this year is that they are continuing to build larger units than in the past—whether in the form of food/drug combos or as full service food emporiums (a la Grand Union).

Department store companies are also still well represented among the Big Builders. Federated Department Stores continues to be the most aggressive, adding 3,724,000 sq. ft. in gross square footage, a 38% increase from 1981, and 3,485,000-sq.-ft. net, a 127% jump (including 12 Ralphs supermarkets).

Although Federated is adding 17 department store units this year, it is somewhat of an exception. At several of the major department store companies, including Dayton Hudson (which has almost totally moved out

Capital Expenditures

	1982 (000)	1981 (000)
1. Safeway	\$500,000	\$518,000
2. Federated	420,000	388,000
3. Kroger	375,000	260,000
4. Dayton Hudson	350,000	300,000
5. J. C. Penney	325,000	208,000
6. Sears, Roebuck	251,000	256,000
7. Southland	165,000	165,000
8. Jewel	160,000	126,000
9. K mart	160,000	361,000
10. Winn-Dixie	156,000	106,000
11. May	152,000	152,000
12. Lucky	138,000	153,000
13. Carter Hawley Hale	135,000	135,000
14. Grand Union	120,000	68,000
15. Supermarkets General	110,000	73,000
16. Household Merchandising	110,000	105,000
17. Allied	100,000	131,000
18. Wal-Mart	90,000	84,000
19. Melville	88,000	55,000
20. R. H. Macy	80,000	116,000
21. Albertsons	77,000	59,000
22. Associated Dry Goods	75,000	79,000
23. Toys "R" Us	75,000	69,000
24. Zayre	65,000	55,000
25. Stop & Shop	60,000	25,000

Source: Chain data and Chain Store Age Executive estimates

of this classification), Allied Stores and Carter Hawley Hale, a growing percentage of corporate capital expenditures are instead being invested in specialty store operations.

As for the discount store sector, this year marks the survival—and the expansion—of the fittest. Wal-Mart is leading the way, with a capital expenditures budget of \$90 million aimed at adding 4 million-sq.-ft. gross and 3,850,000-sq.-ft. net of retail selling space.

Drug store companies, such as Revco and Longs, disappeared from this year's list, as did major home center chains—the latter no doubt a reflection of the stagnation of that retailing sector. However, drug store square footage continues to be added—reflected also in figures from the supermarket-dominated companies.

A major trend of the past year has been companies' adding selling space not necessarily by constructing new facilities but rather through the buy-

ing of the property outright or taking over the leases of less fortunate former competitors. The discount industry benefited most from this trend—with many of the major companies managing to add significant amounts of space for rather more modest investments.

But those who invested in expansion this year are taking a risk. They are betting that despite the state business is in today, the rewards will be there tomorrow. ■



Gross Square Footage Added

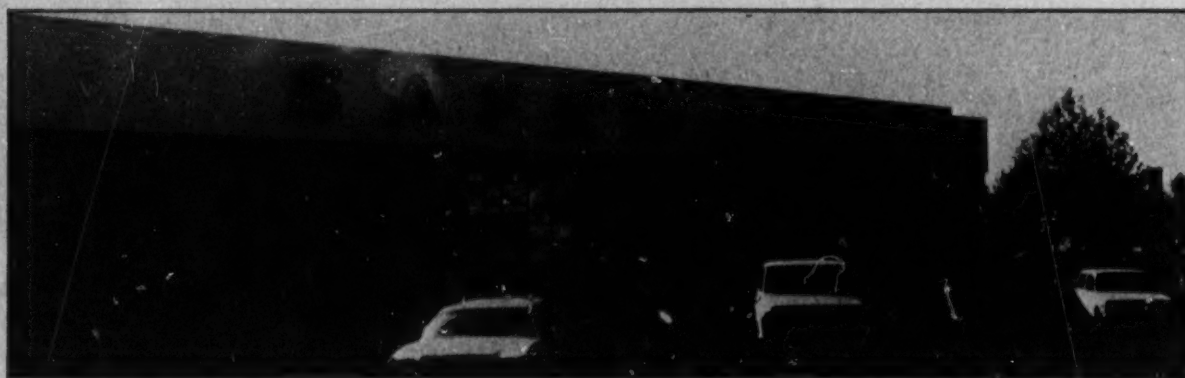
	1982 (000)	1981 (000)
1. Safeway	5,128	5,840
2. Kroger	4,250	4,100
3. Sears, Roebuck	4,100	4,794
4. Wal-Mart	4,000	4,000
5. K mart	3,750	8,500
6. Federated	3,724	2,700
7. Dayton Hudson	3,000	3,200
8. Lucky	2,947	1,785
9. Household Merchandising	2,600	2,800
10. Jewel	2,400	2,000
11. J. C. Penney	1,900	2,715
12. Dillard	1,700	770
13. American Stores	1,600	1,000
14. Albertsons	1,396	1,132
15. May	1,257	1,026
16. Stop & Shop	1,200	502
16. Heck's	1,200	700
18. Toys "R" Us	1,032	800
19. Winn-Dixie	1,000	1,275
20. Zayre	920	925
21. Associated Dry Goods	907	1,108
22. Supermarkets General	900	600
23. Carter Hawley Hale	855	914
24. Melville	800	1,350
25. Allied	719	1,162

Source: Chain data and Chain Store Age Executive estimates

Net Square Footage Added

	1982 (000)	1981 (000)
1. Kroger	4,100	2,400
2. Wal-Mart	3,850	4,000
3. Federated	3,485	1,536
4. K mart	3,400	7,850
5. Safeway	3,031	3,414
6. Dayton Hudson	2,600	2,800
7. Lucky	2,517	915
8. Household Merchandising	1,900	1,900
9. Jewel	1,547	1,800
10. Dillard	1,400	700
11. Sears, Roebuck	1,200	1,753
12. Heck's	1,187	600
13. May	1,148	836
14. Stop & Shop	1,120	380
15. Toys "R" Us	1,032	800
16. J. C. Penney	1,000	1,557
17. Associated Dry Goods	907	1,108
18. Supermarkets General	900	300
18. Albertsons	900	932
20. Carter Hawley Hale	855	914
21. Melville	700	1,340
22. Winn-Dixie	600	800
22. Zayre	600	925
24. Hills	560	750
25. R. H. Macy	500	1,000

Source: Chain data and Chain Store Age Executive estimates



Safeway is '82 biggest builder

While Safeway continues to battle against eroding market share and profits, the supermarket giant still holds the top big builders spot with about \$500 million earmarked for capital expenditures this year, going for an addition of 5,127,701 sq. ft. of gross selling space.

The chain's domestic expansion thrust, calling for 122 stores this year, falls short of last year's growth by 37 units. However, Safeway's success in foreign operations, which provided a safety net in corporate sales and income during the last fiscal year, acted as a catalyst for aggressively beefing up its international entry into new markets.

In the past two years, the chain made two Australian acquisitions, extended its operations in Saudi Arabia, entered into a joint venture in Mexico, associated with a major trading group in Japan and expanded overseas markets for its private label program. Earlier this year, Safeway moved into Kuwait and Oman to manage supermarkets on behalf of principals.

Foreign sales jumped 16% in 1981 to more than \$4 billion, which accounted for almost one-fourth of total corporate sales of \$16.6 billion in fiscal 1981.

Nationally, Safeway's expansion

SAFEWAY		
	1982	1981
Stores in operation at end of calendar year	2,491*	2,500*
Total stores added in calendar year	149	169
Square footage added in calendar year	5,120,701	5,840,000
Number of stores closed	152	98
Total capital expenditures	\$500,000,000	\$816,000,000
*estimate		
Source: Chain data and Chain Store Age Executive estimates		

thrust is at a reduced pace due to a slowdown in shopping center development, according to Peter Magowan, chairman and ceo. In the first quarter of 1982, Safeway closed 92 units. This included the shutdown of the Omaha division with 65 stores, which were not profitable nor offered foreseeable long term gains. "We believe it is more prudent to redeploy these assets to areas where greater opportunities exist," Magowan says.

The chain's strong commitment is still to the superstore concept of outlets ranging from 35,000 sq. ft. and up. In the first half of 1982, 311 superstores existed. With 122 stores slated this year (many of which are superstores), the chain will have about 2,500 units in operation at year-end.

Safeway is also making a concerted effort to become far more price competitive market by market in an effort to regain or maintain market share.

The retailer is also continuing to explore new retail formats, such as its Liquor Barns and Food Barns. This year, Safeway unveiled a new hybrid in northern California called Bon Appetit, an approximately 20,000-sq.-ft. unit catering heavily to gourmet lines and providing greater customer service.

Safeway continues to place heavy emphasis on remodeling, adding nutritional centers, photo and gift departments and special cheese and deli operations. Pharmacies are expected to be in 300 units by the end of 1983.

Kroger's program remains aggressive

Despite a continued tightening of the money supply, Cincinnati-based Kroger maintained its aggressive building program again this year, with the bulk of its \$375 million in capital expenditures generated internally.

By year-end, the retailer will have added between 80 and 90 new food stores to its base of 1,258 supermar-

kets, while some 90 food stores will be completely remodeled, together netting 4.1 million new square feet. Moreover, some 50 to 60 new SuperRx drug stores will be added to the 507 existing units and about 25 drug stores will be remodeled.

"Our real estate program is aggressive and effective," says Lyle Everingham, Kroger chairman, president

and ceo. From 1981 to 1983, Kroger's capital investments will total more than \$1 billion. While the bulk of that expense will be internally generated, Everingham points out, "we also intend to take advantage of other forms of financing, such as pension funds, real estate financing and sale and leasebacks."

Kroger boasted a 26% earnings in-

crease to \$129.5 million for the last completed fiscal year on sales of \$11.3 billion (52 weeks)—up 9.2% (53 weeks) from a year earlier. However, its SuperRx stores continue to be affected by the cost of a major revitalization program currently under way. SuperRx pretax profit dipped 33.6% to \$6.5 million on sales of \$683 million, an increase of 7.5% over the previous fiscal year.

Kroger remains confident that the new SuperRx II prototype incorporating modernization and new product lines and emphasizing health, per-

sonal care and convenience will ultimately improve the chain's performance. Some 138 SuperRx stores (new or remodeled) have been converted to the new format.

Kroger continues to be eyeing the Sunbelt for rapid growth, with more than half its expansion earmarked for that area, and the chain is strongly committed to about 42,000-sq.-ft. combination stores offering up to 12 specialty departments and superstores for its food units. This year, more than two-thirds of the retailer's supermarket expansion will be the

combo format which the chain sees as its typical store for the 80's. Currently, Kroger operates 164 combo stores.



Kroger is also in the midst of installing its first in-store financial services center. The centers, approximately 400 sq. ft., feature a walk-up counter, much like conventional service counters. The area also includes glass-walled, soundproof offices for private consultations.

The chain is also aggressively equipping its food stores with electronic scanner checkout systems. About 133 stores will receive the equipment this year, in addition to the 312 outlets already on line.

Some 94% of Kroger's food store square footage has been built or has been remodeled in the past decade. ■

KROGER		
	1982	1981
Stores in operation at end of calendar year	1,365*	1,335
Total stores added in calendar year	100	110
Square footage added in calendar year	4,250,000*	4,100,000
Number of stores closed	70*	76
Total capital expenditures	\$375,000,000	\$260,000,000
*estimate		
Source: Chain data and Chain Store Age Executive estimates		

New units on schedule for Federated

Not believing in putting off until tomorrow what it can do today, Federated Department Stores is continuing to carry out a \$420 million capital expenditures program, the bulk of which is going toward new store openings.

Plans call for the opening of 17 department stores (the same number as in 1981) plus 12 mass merchandiser units and 11 supermarkets. The Children's Place, acquired by Federated in March, is also adding 21 units, bringing its total to 87.

Among its department store divisions Federated is avoiding playing favorites with at least one new unit scheduled for almost every division. The largest of the new stores is being opened by Foley's in Houston, coming in at 250,000 sq. ft., followed by a 240,000-sq.-ft. Bloomingdale's and a 235,000-sq.-ft. Abraham & Straus, both located at Willow Grove, Pa.

In mass merchandising, the emphasis for Richway is on quickly becoming a major factor in the southern Florida market with the opening of five stores. Gold Circle is also opening five units, following the prototype which opened in Cleveland last year.

Among other projects at Federated this year is the introduction of Filene's Basement stores in the New York City market. ■



FEDERATED		
	1982	1981
Stores in operation at end of calendar year	438	377
Total stores added in calendar year	61	29
Square footage added in calendar year	3,724,000	2,700,000
Number of stores closed	0	10
Total capital expenditures	\$420,000,000*	\$388,000,000
*estimate		
Source: Chain data and Chain Store Age Executive estimates		

Dayton Hudson aims for value

Dayton Hudson is continuing to emphasize what it views as the "value-oriented" segment of its business. The lion's share of its \$350 million capital expenditures budget for 1982 is going to the Target, Mervyn's and B. Dalton Bookseller divisions.

Plans call for 16 Target stores and 12 Mervyn's stores to be opened during the fiscal year ending Jan. 31, 1983. In addition, 33 former Fed-Mart sites in California, Arizona and El Paso, Tex., are in the process of being converted to Target units.

The B. Dalton bookstore chain is



also being built up, with approximately 110 stores being added this year.

In contrast, only one new department store, a unit of J. L. Hudson's, is being opened, while Hudson's large downtown-Detroit store is scheduled for closing at year-end.

These moves signal Dayton Hudson's continuing shift away from being a department store company (department stores now account for only one-quarter of the corporation's total resources) and toward being "a growth company involved in retailing."

Over the next five years the company reports that more than 90% of its total capital expenditures will be allocated to Target, B. Dalton and Mervyn's. Mervyn's, in particular, will be very much on the march with 35 stores planned in Dallas, Fort Worth, Houston, San Antonio and Austin in the next three to four years, beginning in 1983.

Allocations being devoted to the department stores will be used chiefly for remodeling and refurbishing of existing locations. ■

DAYTON HUDSON		
	1982	1981
Stores in operation at end of calendar year	1,074	935
Total stores added in calendar year	139	105
Square footage added in calendar year	3,000,000*	3,200,000
Number of stores closed	0	1
Total capital expenditures	\$350,000,000	\$300,000,000

*estimate
Source: Chain data and Chain Store Age Executive estimates

Fayva installed a different kind of thermostat.

Their energy costs decreased 19% to 54%.

The Multistat II light sensing thermostat has saved Fayva Shoe Stores up to 54% in energy costs. The only setback thermostat that does not operate by a clock, the Multistat has a light sensor that automatically lowers temperature to predetermined limits when people leave and indoor lighting is reduced.

Fayva wanted an energy saver that would automatically adjust to different store hours on weekends and holidays. They also wanted something tamperproof so employees and customers couldn't play with temperature settings. The Multistat by Dynelco was the only energy saving thermostat to combine these features plus others into a single package that directly replaced their old thermostats. They are working so well in their existing stores that Fayva has specified the Multistat II in their new store specifications.



MULTISTAT II. The light-sensing set-back thermostat that saves you money at the flick of a light switch.

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Shifting priorities at Sears

Although it reduced its capital expenditures budget only slightly, this year Sears, Roebuck & Co. cut back on the rate of new store construction. Instead, it chose to invest heavily in upping the productivity of its existing store facilities.

Sears' plans this year call for the opening of 26 store units, including six in new locations and 20 relocations. This is expected to result in a net addition of retail space of 1.2 million sq. ft. (Figures on store closings planned were not available.)

This level of activity compares with 1981 when Sears opened 31 stores, including 15 in new markets, and closed 34.

However, the capital expenditures budget for 1982 fell less than 1% to \$251 million from \$256 million in 1981.

If Sears is going to meet its target of the construction of 250 new stores it has a lot of building activity still to undertake. The first two years of its five-year program are now coming to an end with only 57 new stores having been completed.

Indications are that most of Sears'



new stores will be located in less populous marketplaces than many of its present units, and will thus be constructed following Sears' small store concept.

These smaller stores are known as "K-30" or 30,000-sq.-ft. units, or "K-40" referring to 40,000 sq. ft. The emphasis at these stores is on self-service oriented merchandise, obviously carefully edited.

Meanwhile, Sears has been busy looking into methods for test marketing its expanding offerings of financial services.

SEARS, ROEBUCK		
	1982	1981
Stores in operation at end of calendar year	872*	851
Total stores added in calendar year	26	31
Square footage added in calendar year	4,100,000*	4,794,000
Number of stores closed	N/A	34
Total capital expenditures	\$251,000,000	\$256,000,000
*estimate Source: Chain data and Chain Store Age Executive estimates		
		N/A—Not available

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Supermarkets General budget favors Pathmark

In 1982 the Pathmark supermarkets division of Supermarkets General will receive the lion's share of the corporation's capital expenditures. Of the \$110 million earmarked for such expenditures through January 1983, the Pathmark division is spending nearly \$100 million.

At least \$2.5 million will be used to finance the company's continuing renovation program. By the end of the last complete fiscal year (Jan. 30, 1982), Pathmark derived more than two-thirds of its sales from stores that had been built or undergone a major renovation in the last three years, and nearly 85% of sales came from stores that had been built or overhauled in the last five years.

This year, Pathmark has scheduled 25 major remodelings, as compared with 19 in the previous year. Ten of these projects represent conversions of traditional formats into Super Centers—combination grocery and drug/general merchandise outlets with some 35,000 sq. ft. of selling space

and 50,000 sq. ft. in total.

The Super Center concept will also dominate new store construction this year. With mature Super Centers bringing in average sales of nearly \$25 million a year—or \$475,000 per square foot per week—it's no wonder that all of the company's new supermarkets will be combos. If Pathmark reaches its goal of building 10 Super Centers in calendar 1982, it will reach a total of 64 such hybrid opera-

tions, representing half the chain's retail food outlets.

In addition, the corporation has plans to build three freestanding drug stores (under the Pathmark banner) and five Rickel home centers in the current year. The Rickel stores measure some 45,000 sq. ft. in size, ranking among the largest prototypes

Pathmark

in the home center industry. But they look lean and mean compared with the 100,000-sq.-ft. dinosaurs the chain used to open.

SUPERMARKETS GENERAL

	1982	1981
Stores in operation at end of calendar year	204*	186
Total stores added in calendar year	16	9
Square footage added in calendar year	900,000	600,000
Number of stores closed	N/A	6
Total capital expenditures	\$110,000,000	\$61,600,000
*estimate Source: Chain data and Chain Store Age Executive estimates		
		N/A—Not available

Brooks Drugs feels better about energy costs!

Brooks Drugs installed Dynelco's Light Sensing Setback Thermostat and cut energy costs up to 28%.

According to Joe Mederios, Director of Store Development for Brooks Drugs, "The Multistat II Light Sensor Thermostat has taken the guess work out of setting back temperature at night. This we feel accounts for at least 65% of the savings. The fixed day time temperatures for heat and air conditioning represents the balance of our realized savings."

The Multistat II has a light sensor that automatically lowers temperature to predetermined limits, when people leave and indoor lighting is reduced.

Brooks Drugs wanted an energy saving thermostat that would automatically adjust to flexible store schedules on weekends and holidays. They also required a thermostat that was tamper proof, so customers and employees couldn't play with the temperature settings. The Multistat II was the only energy saving thermostat to combine all these features and more in one small package that directly replaced their old thermostats.



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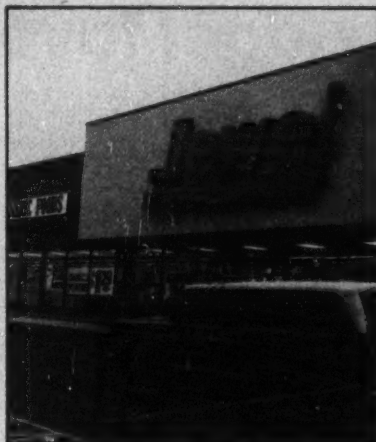
Combo stores lead Jewel growth

At Jewel Cos. when you're speaking of expansion, you're speaking of combination food/drug stores. Of the \$340 million earmarked for investment in retail facilities in 1982 through 1984, 52%, or \$177 million, will be devoted to the creation of food/drug hybrids.

The corporation will take a number of different routes to reach its target of 180 combination outlets by the end of 1984. Some \$37 million, for instance, will be spent on the conversion of existing Jewel, Buttrely, Eisner and Star supermarkets; the lion's share of the \$180 million tagged for new store construction will be channeled into combos, and additional funds will be used to transform neighboring food and drug store setups into single checkout formats.

The payoff for Jewel is in its profit margins. The 179 food locations that either constitute half of a combo or stand next to a Jewel-owned drug store in a shopping center accounted for 54% of total supermarket sales, but 59% of that segment's operating earnings. By the same token, the drug portions of the combos and drug stores located next to supermarkets contributed 32% and 37%, respectively, of total drug store sales—but a combined 71% of total drug store operating earnings.

Drug stores in "solo" locations will represent the company's second most significant expansion vehicle. From 1982 through 1984, Jewel will spend \$34 million to remodel existing stores and build new ones. At the end of 1981, the corporation counted 364



solo drug stores, not including those outlets that share centers with company-owned supermarkets—but by the end of 1984, plans call for 410 solo units.

In the stand-alone supermarket category, some \$14 million will be expended on an upgrading and enlargement program. More importantly, however, Jewel has set aside \$20 million to install new point-of-sale equipment in most of its grocery locations where it is not already in place. The corporation's goal is to have the equipment in 70% of its food stores or segments by the end of its three-year plan. ■

JEWEL		
	1982	1981
Stores in operation at end of calendar year	1,217*	1,132
Total stores added in calendar year	114*	87
Square footage added in calendar year	2,389,000*	2,158,000
Number of stores closed	29	23
Total capital expenditures	\$130,000,000*	\$126,200,000
*estimate Source: Chain data and Chain Store Age Executive estimates		

Penney invests in image makeover

Still seeking to reposition itself in direct competition with the department stores, J. C. Penney is devoting much of its 1982 capital expenditures budget of \$325 million to making certain its merchandise mix and the merchandising environment convey the right image.

For example, Penney currently has a project under way which is "serving as a testing ground for some proposals for modernization and for changes in the merchandise mix," according to William Howell, vice chairman.

This project is the remodeling of six full-line stores in the Atlanta area, with a budget of \$14 million. The design calls for greater allocation of space to women's apparel and accessories, men's wear, children's wear, home furnishings and leisure merchandise.

Merchandise areas being discontinued include major appliances, paint and hardware, lawn and gar-

den, food facilities and automotive products. Areas being updated include sporting goods, furniture, electronics and housewares.

This is indicative of what Penney sees as the new generation of stores, with 70% of the merchandise mix devoted to soft goods and the remaining 30% to hard goods (the same mix generally found in department stores).

Penney's previous mix was 60/40.

In total, Penney is investing \$160 million in modernization this year, much of this going for the testing of alternative interior design approaches and alternative budgeting.

The remaining \$165 million of the capital expenditures budget is being used to open 18 full-line, 13 soft-line and 14 Treasury Drug Stores. ■

J. C. PENNEY		
	1982	1981
Stores in operation at end of calendar year	2,028*	2,005
Total stores added in calendar year	45	59
Square footage added in calendar year	1,900,000*	2,715,000
Number of stores closed	N/A	87
Total capital expenditures	\$325,000,000	\$208,000,000
*estimate Source: Chain data and Chain Store Age Executive estimates		
		N/A—Not available

K mart chops expansion program

Despite its smallest store building program in more than a decade—a greater than 50% drop in the number of new stores this year—K mart still managed to add an estimated 4.6 million sq. ft. to its selling space, enough to lead all discounters.

Still, it signals a big move downward for K mart in capital spending from prior year levels. Another indication of just how bad things have been at the Troy, Mich.-based discount chain is that K mart started out with a very modest 80-store projection, compared with the 171 built the prior year. Later it proceeded to cut spending even further. By midyear, it had revised its projections to open from 65 to 75 stores this year.

The pullback in expansions came after a year of record sales, up 16.4% over the prior year, but slipping margins. Heavy promotions and markdowns pushed those margins to 25.2% of sales, compared with 26.7%

the year before. Net income dropped 15%.

Like many other chains, K mart in its 1982 capital program turned to more remodeling. To get the most impact out of the funds available, the chain decided on a strategy to give all stores a facelift. "Instead of remodeling whole stores, we're trying to remodel all of the apparel departments in each store," says a company spokesman.

The chain had plans to close only one K mart store, although 38 Kresge and Jupiter stores were also set for closing. The number of K marts, meanwhile, topped 2,100. The chain did not disclose the amount of capital spending for 1982, though K mart said 1981's spending totaled \$360 million. Outsiders estimates of K mart's capital budget for the current year place it at approximately \$150 million. ■

K MART		
	1982	1981
Stores in operation at end of calendar year	2,380	2,367
Total stores added in calendar year	70	171
Square footage added in calendar year	3,750,000	2,680,000
Number of stores closed	53	39
Total capital expenditures	\$150,000,000	\$360,000,000
Source: Chain Store Age and Chain Store Age Executive estimates		

Lucky adding 201 units in 1982

With Lucky Stores' additions to central facilities completed in 1981, the Dublin, Calif.-based retailer invested most of its \$138 million in capital expenditures this year into its food, department and specialty stores.

The chain expects to add approximately 7% to its 31 million sq. ft. of retail space by bringing 201 new units on board this year, swelling its total store count to 1,742 units by year-end and totaling 33.6 million sq. ft. of retail space.

"Though this is significantly above 1981 levels, our intention is to finance this store growth with internally generated funds," the annual report stated. "Emphasis on specialty stores will continue, and there will be an increase in the number of new food and department stores to gain the benefits of expanded distribution capacity."

Specialty stores, including apparel, small family department stores, automotive and fabric outlets will garner 158 units this year. Gemco/Memco, Lucky's discount department store division, will add eight stores. Discount food centers will receive 35 new units. In total, 35 stores will be shuttered including 10 supermarkets each averaging about 21,000 sq. ft.



Approximately \$117 million will be invested in fixtures and equipment for new stores and in remodeling existing units. Another \$21 million has been earmarked for new equipment in existing distribution

centers.

Lucky, which reported an 11.3% increase in sales to \$7.2 billion for the last completed fiscal year and earnings of \$95.5 million—up 5.5%, saw 1981 as the year for the specialty stores, and 1982 is shaping up that way too. As a group, specialty stores produced 29% of total corporate earnings and 10% of company sales. Apparel and small family department store sales increased more than 11%, with a 31% jump in pretax profit, while automotive store sales rose 18% and netted a 10% pretax earnings improvement in 1981.

Nearly 40% of Lucky's warehouse capacity has been added in the past four years, requiring an investment of more than \$150 million. ■

LUCKY		
	1982	1981
Stores in operation at end of calendar year	1,742	1,576
Total stores added in calendar year	201	130
Square footage added in calendar year	2,947,000*	2,138,000*
Number of stores closed	35	65
Total capital expenditures	\$138,000,000	\$153,000,000
*estimate Source: Chain data and Chain Store Age Executive estimates		

Approaching the goal line at May

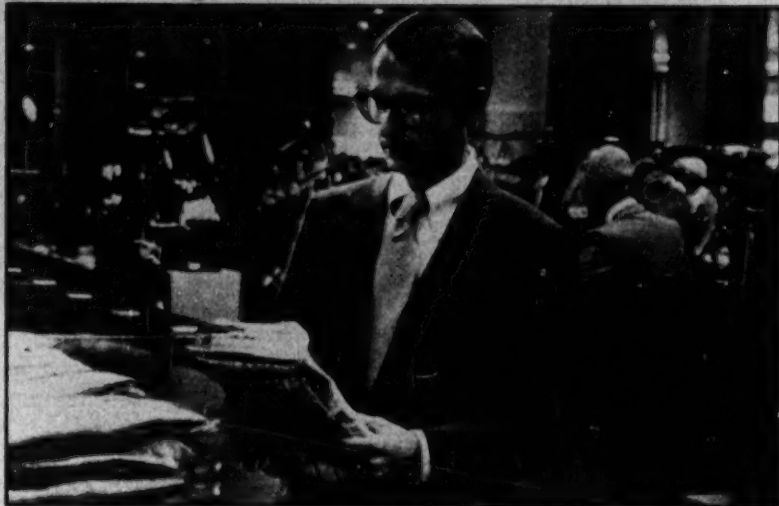
One-third of the way to goal.

That will be the state of May Department Store's five-year expansion plan when this year comes to a close. The goal is the addition of 3 million sq. ft. of department store selling space; so far 1 million sq. ft. has been completed.

During fiscal 1982 (ending Jan. 31, 1983), this has been achieved by the opening of four department stores for a total of 500,000 sq. ft. Three Venture units also opened in the Chicago area, marking the first addition of square footage for that division since 1979.

The capital expenditures budget for the year was \$151.9 million, approximately the same level as in fiscal 1981. For the five-year plan itself May has set a budget of \$1 billion. This includes \$130 million earmarked for the remodeling of existing store units, with an additional \$25 million set aside for what May refers to as "expense-saving projects."

Like almost any retailing company this year, May is stressing improved productivity in both its remodeling and new store programs. This means intensifying the sportswear, footwear, cosmetics and domestics departments and "going for volume and gross margin leverage," according to May in its annual report. ■



MAY		
	1982	1981
Stores in operation at end of calendar year	1,385	1,248
Total stores added in calendar year	137	125
Square footage added in calendar year	1,257,000	1,026,000
Number of stores closed	0	0
Total capital expenditures	\$152,000,000	\$132,000,000

Source: Chain data and Chain Store Age Executive estimates

CHH builds up specialty retailing

When it comes to apportioning its capital expenditures budget, Carter Hawley Hale has two objectives: The modernization of existing space and the expansion of its specialty retailing operations. Progress toward both has been made during fiscal 1982.

For example, this year approximately \$50 million was devoted to the remodeling of existing store facilities, up from an estimated \$37 million in fiscal 1981.

With most of its department store divisions, CHH seeks to achieve growth by improving the productivity of its existing locations rather than by adding units. The only new department stores opened in 1982 were a Broadway-Southern California unit and a Broadway-Southwest unit.

In contrast, expansion efforts are being concentrated on CHH's high fashion specialty stores and specialized merchandising segments.

Specifically, this means Neiman-

CARTER HAWLEY HALE		
	1982	1981
Stores in operation at end of calendar year	1,061	961
Total stores added in calendar year	100	87
Square footage added in calendar year	\$35,000	\$14,000
Number of stores closed	0	0
Total capital expenditures	\$135,000,000	\$135,000,000

Source: Chain data and Chain Store Age Executive estimates

Marcus (See *Chain Store Age Executive*, October 1982) as well as Contempo Casuals (with 12 new units added this year) and Walden Books (with approximately 82 additional units).

The percentage of CHH's capital expenditure program being devoted to high fashion specialty and specialized merchandising operations has increased from 26% of the total in

1979 to 49% in 1981, to over 50% this year, with the trend likely to continue.

For the five-year period from fiscal 1982 through fiscal 1986, CHH has announced its intention to invest approximately \$700 million in new store space, remodeling projects and modernization. A large percentage of this plan is not yet committed to specific projects. ■

\$90 million expansion bill at Wal-Mart

Wal-Mart this year is continuing on an expansion program which is expected to help the chain add another \$1 billion in sales to Sam Walton's retail empire.

In a building program almost identical to the one unveiled last year, Wal-Mart will add just over 4 million sq. ft. of retail space to reach the new sales target.

Wal-Mart's total capital expenditures this year will be around \$90 million, says David Glass, vice chairman and chief financial officer. Last year's spending totaled \$83.97 million. The chain will add 66 new stores, compared with 69 last year.

Remodeling costs will claim \$12 million of the capital budget, or 13%



of the total. The remodeling budget is also close to last year's level, says Glass. The conversion of 50 Kuhn's Big K stores into Wal-Marts took place during fiscal 1982, and made up a large portion of the remodeling.

The Arkansas-based chain added an estimated 4.4 million sq. ft. of retailing space to the chain by acquiring the Kuhn's stores, but new buildings continue to be the mode for expansion. New buildings added 3.5 million sq. ft., while expansion of existing buildings added another 500,000 sq. ft., says Glass.

"It's pretty much the same program we had last year," says Glass of the current building projects under way. New retail space continues to be added through expansion, acquisition and new construction. ■

WAL-MART

	1982	1981
Stores in operation at end of calendar year	459	396
Total stores added in calendar year	69	65
Square footage added in calendar year	4,000,000	4,000,000
Number of stores closed	5	0
Total capital expenditures	\$90,000,000	\$40,000,000

Source: Chain data and Chain Store Age Executive estimates

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Betting on the future: ADG's hefty wager

Associated Dry Goods is taking some hefty financial gambles, betting that they will pay off in the form of higher profits in the future.

For example, consider that in 1981 ADG went ahead with the purchase of Caldor, significantly adding to its debt burden and sending its interest cost soaring by more than 150% over year earlier figures. Meanwhile, ADG's sales and earnings have continued at well below expectations.

However, these factors have not deterred the company from spending an estimated \$70 million in capital expenditures this year for the opening of an additional 907,000 sq. ft. of selling space.

It comes as no surprise that Caldor was the major beneficiary of this investment, with seven new units opened for a total of 600,000 sq. ft.

As for the department store divisions, Sibley, Lindsay, Curr, L. S. Ayres and Goldwater's each added one unit, for a total of 307,000 sq. ft.

of new department store space. All locations are also being made for the remodeling of existing store units.

Reportedly, as key growth areas for the future ADG has set its sights on the top end of the department store business and on the market for up-scale discounting. Its future expansion plans reflect these priorities.

For example, already well on their way toward 1983 openings are three

Lord & Taylor units, two located in Florida and one in Hartford, Conn. These are likely to be on the scale of the 97,000-sq.-ft. prototype Lord & Taylor opened in the Cutler Ridge Mall in Miami last January. This prototype cuts the space of branch stores by approximately 20%.

In addition, ADG has made no secret of the fact it plans to continue adding a large number of units annually to the Caldor operation itself. Industry observers also speculate that ADG may eventually convert some of its money-losing units in other divisions over to the Caldor structure.

ASSOCIATED DRY GOODS

	1982	1981
Stores in operation at end of calendar year	305	295
Total stores added in calendar year	10	14
Square footage added in calendar year	907,000	1,700,000
Number of stores closed	0	0
Total capital expenditures	\$75,000,000*	\$79,000,000

*estimate
Source: Chain data and Chain Store Age Executive estimates

Zayre stresses discount, off-price

Strengthening of its discount department stores and expansion of its off-price specialty store operations constitute the major objectives of Zayre Corp.'s \$65 million 1982 capital expenditures budget, up 18% from 1981's \$54.9 million.

This money is being spent to modernize 24 Zayre stores and to open 12 new ones, with computers also being installed in all units. Four store closings are also scheduled, bringing Zayre's year-end total to 266 units. Of this number, 77% will then be following Zayre's new prototype. This features more upscale fashion presentations of both apparel and home furnishings.

In addition, Zayre plans to open approximately 20 T. J. Maxx units this year, with a significantly larger program being developed for 1983. Zayre is also opening 40 to 50 Hit or Miss stores and closing 20.

The Hit or Miss closings mark the end of the weeding out process by which Hit or Miss has shifted the majority of its stores to higher quality retail locations, with greater emphasis on major malls and downtown areas.



Although the discount department stores continue to constitute Zayre's basic business, the corporation is enthusiastic about the future of its off-price specialty store operations.

In the company's latest annual report, Summer L. Feldberg, chairman, and Maurice Segall, president and ceo, note, "In the opinion of many observers of the retail scene, this development [off-price retailing] is in tune with the times and they foresee great growth in the 80's for off-price retailing."

They add that "T. J. Maxx and Hit or Miss give Zayre Corp. a very significant position in this burgeoning new field."

ZAYRE

	1982	1981
Stores in operation at end of calendar year	626	567
Total stores added in calendar year	62	24
Square footage added in calendar year	920,000	925,000
Number of stores closed	24	N/A
Total capital expenditures	\$65,000,000	\$54,900,000

Source: Chain data and Chain Store Age Executive estimates

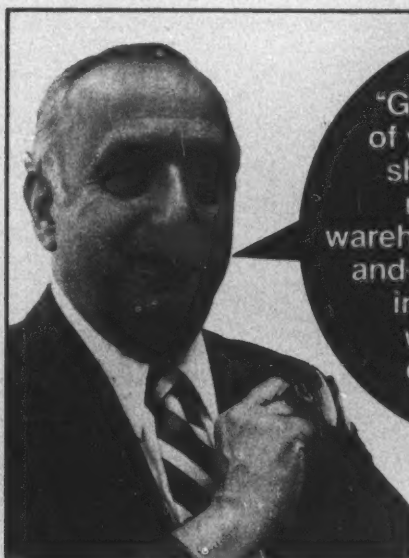
N/A—Not available

Grand Union converts to full-service

Having dispensed with some 212 locations that were punching holes in the bottom line, Grand Union this year has entered the second stage of its master plan—a \$700 mil-

GRAND UNION		
	1982	1981
Stores in operation at end of calendar year	671	671*
Total stores added in calendar year	0	26*
Square footage added in calendar year	0	728,000
Number of stores closed	62	150
Total capital expenditures	\$120,000,000	\$70,000,000

*estimate
Source: Chain data and Chain Store Age Executive estimates



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lion, six-year program aimed at converting the bulk of its traditional supermarkets into what management calls "full service food markets."

In the fiscal year ended April 3, 1982, Grand Union spent more than \$8 million to close 150 of its obsolete or unprofitable stores. These units ranged in size from 10,000 sq. ft. to 37,000 sq. ft.

Although management did not tally up the amount of retail space closed, one can safely say that Grand Union closed more space last year than many chains opened.

Much of the remaining \$70 million in capital expenditures was allocated to the conversion of 20 conventional supermarkets to Food Markets. Some \$20 million of that total was spent not on stores per se, but on the upgrading of Grand Union's distribution centers in Atlanta and Houston, as well as additions to the chain's trucking fleet.

In the current year, the company has shuttered another 62 units, but it has also targeted 100 remodeling projects. The conversion bill this year alone will amount to \$120 million. Over the span of the six-year plan, three-fourths of the \$700 million allocated for capital expenses will be devoted to conversions.

In the meantime, now that most of the planned store closings have been completed, Grand Union is not expected to experience any appreciable net gain or loss in retail space this year.

The 28,000-sq.-ft. Food Market prototype comes close to the average size of the store being converted and the company has not announced any plans for new store openings in the near future.

At year-end the chain will include some 670 locations, with 120 of these being Food Markets. With the vast majority of its store closing expenses behind it, Grand Union looks forward to an improvement from the 28% drop in net income it experienced in fiscal 1981. ■

Albertsons ups capital expenditures

Albertsons plans to pump \$77 million into capital expenditures this year, approximately 30% more than it earmarked for such expenditures for each of the last three consecutive years.

Just under half that amount—\$33 million—has been slotted for new stores, and \$16.5 million has been targeted for remodels (equipment and leasehold). According to Warren E. McCain, chairman, president and ceo, "The current real estate market creates a real challenge for the company. However, one of our strengths is our fully integrated real estate development department.

"Despite increasing competition for new sites," he says, "we expect to open 26 new stores in 1982, including eight of the large combination food/drug units (58,000 sq. ft. to 66,000 sq. ft.). In addition, 18 stores are scheduled for remodeling and expansion. We expect to close nine older units this year."

The 66,000-sq.-ft. store opened in Omaha, Neb., late last year will be used as a prototype unit for the chain as it increases market penetration in the Great Plains states including Iowa, Nebraska, and North and South Dakota. Omaha was a new operating territory for Albertsons.

The retailer will spend approximately \$14.5 million on distribution facilities and equipment; \$4.5 million on assets under capital leases and



ALBERTSONS		
	1982	1981
Stores in operation at end of calendar year	439	420
Total stores added in calendar year	26	30
Square footage added in calendar year	1,396,000*	1,132,000
Number of stores closed	9	6
Total capital expenditures	\$77,000,000	\$59,000,000
*estimate Source: Chain data and Chain Store Age Executive estimates		

about \$3.5 million on equipment replacement this year.

This past summer, Albertsons unveiled an \$18 million, 355,000-sq.-ft. distribution center in Denver to supply stores in Colorado, northern New Mexico, South Dakota and Wyoming.

The average size of the chain's stores increased to 32,470 sq. ft. from 29,350 sq. ft. in 1981, and new store

construction and acquisitions contributed sales percentage increases of 4% for the last complete fiscal year—up 0.4% from the previous year.

"The improved productivity of distribution centers, the elimination of marginal stores and the adaptability of product mix strategies to varying market conditions have helped maintain gross margins" at about 21.8% for the past three years, McCain says.

Toys "R" Us adding 24 units in 1982

With an expansion program of \$75 million to \$80 million, this year Toys "R" Us is likely to add 24 stores to its 125-store base and top \$1 billion in sales.

As part of this program the leading toy supermarket chain in the country this year made a \$50 million offering in subordinated debentures converti-

ble to common stock to finance the purchase of land for development. The company calls the move toward ownership of property "a change of philosophy" from the past practice of acquiring long-term leases and renewal options. In the future they expect to expand through internally generated funds and cash balances.

The southeast is the location for most of the building Toys is beginning in the current fiscal year, running from Jan. 31, 1982 to Jan. 31, 1983. That movement is expected to continue into the following year when the company enters the Atlanta, Ga., market.

New stores will be constructed in the form of the 43,000-sq.-ft. prototype the chain used in the past. The stores will be located mostly on strips near shopping malls. The 1.1 million sq. ft. of selling space opened in the current year will be added to the base of 4.3 million sq. ft.

The company says it is planning to add another 25 stores for just over 1 million sq. ft. of selling space in the coming fiscal year. Also set for next year, and part of that total, is the start of a new retail chain which will sell children's clothing.

TOYS "R" US		
	1982	1981
Stores in operation at end of calendar year	124	100
Total stores added in calendar year	24	23
Square footage added in calendar year	1,032,000	989,000
Number of stores closed	0	0
Total capital expenditures	\$75,000,000	\$69,000,000
Source: Chain data and Chain Store Age Executive estimates		

HM allots 25% of 1982 budget to AIM

Household Merchandising is investing a higher percentage of its 1982 capital budget in projects involving its upscale mass merchandising operations and its supermarket division, reflecting the direction of the retail industry as a whole.

An estimated 25% of the capital budget this year is going to the AIM for the Best stores, the upstream spinoff from the T.G. & Y. division. At a hefty \$2.5 million per store, the stylish AIM chain is making its debut at 10 Sunbelt locations this year.

The 60,000-sq.-ft. AIM stores are expected to add about 300,000 sq. ft. of new space and 300,000 sq. ft. will be converted T.G. & Y.'s. In the future, the chain expects to add 200 AIM stores, with 125 of them being converted T.G. & Y. units.

In addition, a spokesman says the company "will keep opening Family Centers into the foreseeable future." This year, between 30 and 34 T.G. & Y.'s are being opened, according to the spokesman.

On the supermarket side, at

Household's Vons stores, the chain will open twice as many stores as last year—10 new supermarkets compared with five in the previous fiscal year. The stores average 35,000 sq. ft. in size and represent Vons' first entry into the Fresno market.

HOUSEHOLD MERCHANDISING

	1982	1981
Stores in operation at end of calendar year	1,145	1,139
Total stores added in calendar year	44	65
Square footage added in calendar year	2,600,000	2,900,000
Number of stores closed	38	30
Total capital expenditures	\$110,000,000	\$105,000,000

Source: Chain data and Chain Store Age Executive estimates

Allied revises 5-year plan downward

Allied Stores has learned it isn't possible to do everything. Going ahead with a large-scale purchase in a weak economy means it has to cut-back somewhere. For Allied, this translates to a slowdown in store expansion.

In 1981, despite record high financing rates, Allied purchased Garfinckel, Brooks Brothers, Miller & Rhoads. The deal appeared to be a good one at the time—and it still does over the long-term. Meanwhile, though, for most of this year the interest costs attributable to the acquisition have exceeded the earnings contribution of the Garfinckel operation.

Allied has also been hurt by the recessionary environment itself, and particularly by the effects of the heavy promotional activity that has taken place throughout the industry.

Thus, it comes as no surprise that Allied has revised its previously announced five-year capital expenditure budget downward—to \$550 million from the original \$750 million. It is estimated that by the end of this year, the first of the five-year program, it will have spent approximately \$100 million.

This year has also seen a significant slowdown in store openings with four new department stores, five Brooks Brothers stores, four Ann Taylors, three Catherine's and two Plymouth Shops. This compares with 1981's program which included 17 new department stores, two Bonwit Teller stores and 10 Plymouth Shops.



ALLIED

	1982	1981
Stores in operation at end of calendar year	258	240
Total stores added in calendar year	18	29
Square footage added in calendar year	719,000	1,162,000
Number of stores closed	0	1
Total capital expenditures	\$100,000,000	\$131,000,000

Source: Chain data and Chain Store Age Executive estimates

However, at the company's annual meeting, Thomas M. Macioce, president and ceo, stressed that "Over the next five years our company's store

opening program will continue with emphasis placed on building up our most profitable divisions, whether they be department store or specialty."

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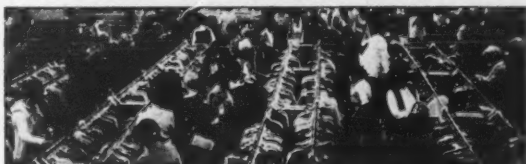
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Clipping the cost of couponing

A recently released study shows that during 1981 retailers spent \$280 million in handling coupons. Proposals could cut costs by approximately one-third

Supposedly, everyone loves coupons.

Consumers love them because the use of coupons helps them to save money—to the tune of an estimated \$100 million last year.

Manufacturers love them so much that in 1981 alone (the last full year for which data is available) they issued \$102.4 billion worth, with an estimated 4.5% to 5% redeemed.

Retailers love them because they view coupons as a good merchandising tool.

What manufacturers and retailers don't love, however, are rising coupon handling costs. They hate them.

To combat these costs, they have a variety of weapons at their disposal. The two most often discussed are:

- The possible placement of the Universal Product Code on coupon faces, enabling them to be front-end scanned.

issued in 1980. Further, since 1977 when \$62.2 billion worth of coupons were issued, the level of couponing activity has climbed 65%.

In addition to saving them money, consumers say coupons bring the price of popular brand name goods in line with those of otherwise more economical generics. Estimates are that as many as 87% of all American households now engage in some sort of coupon clipping activity.

Manufacturers use coupons to motivate consumers to try new products as well as to encourage repeat purchases. Manufacturers also sometimes conduct coupon blitzes in the hope that consumers will stock up on a particular product—and thereby counter the introduction of something similar by a competitor.

Retailers say coupons help them to move products, to introduce new

a year ago a number of food industry organizations, as well as the National Association of Chain Drug Stores (NACDS), banded together to sponsor a study on coupon-handling practices to be conducted by Arthur Andersen & Co. (These groups included the Food Marketing Institute, the Grocery Manufacturers of America, the Cooperative Food Distributors of America, the National Association of Retail Grocers, the Food Industry Association Executives and the National-American Wholesale Grocers' Association.)

Recently released results of the study show that during 1981 retailers spent \$280 million in handling coupons. However, if its series of recommendations is implemented, food distributors could potentially cut the cost of handling coupons by approximately one-third, for a savings of \$72 million to \$89 million, according to Andersen. In addition, further potential cost increases of \$16 million to \$40 million could be avoided.

The proposals involving use of the UPC and front-end scanning are considered the most controversial of the study's recommendations. According to Andersen, scanning would result in potential savings of between \$8 million to \$10 million annually. (This estimate, says the study, is based on the net difference between the additional cost of upgrading scanning equipment and software to scan coupons and estimates of increased checker productivity.)

Currently, though, only a fraction of the country's supermarkets are equipped with scanning equipment—although the usage rate is climbing. (A NACDS spokesman points out this recommendation is not at all applicable to the drug store industry.)

An even greater obstacle is the fact that "Right now there is no store with equipment programmed to scan coupons," points out Paul Kelly, vp, Grocery Manufacturers of America. (A major stumbling block to developing scanners with the ability to record coupons had been legal ramifications from a pending patent infringement case. The patent has recently been ruled invalid and the UPC council is expected to resolve this issue soon in



- Policing coupon handling controls to cut down on misredemptions, or coupon frauds.

The taking of such actions is becoming critical as the use of coupons is expected to keep right on growing, continuing the trend of the past several years.

The A. C. Nielsen Clearing House, the largest coupon redemption center in the country, says the value of coupons issued in 1981 was already 13% above the \$90.6 billion

products and to stimulate sales overall.

Yet, this love story may have an unhappy twist unless something is done about coupon handling costs.

Already, in May 1980, manufacturers were forced to raise their coupon handling allowances to 7¢ from 5¢ per coupon. They don't want to have to raise them again. But retailers also don't want to see cost increases cut further into already pressured profit margins.

To try to insure that neither scenario has to take place, approximately

favor of the development of a coupon scanning capability.)

Kelly says the eventual marriage of UPC's and scanning with coupon usage is "a long-term project and a two-part process. The first part is to get manufacturers to use the symbols. Then we have to get retailers to add the program to in-store operations."

Thus, he believes "It is still a matter of several years before we will achieve this—it will take that amount of time to get stores to go along with it. But it is definitely achievable and do-able."

For this to happen, considerable money has to be invested by manufacturers and especially by retailers. But, the Andersen study maintains that although some types of front-end equipment may need "an extensive hardware upgrade" to handle coupon scanning, the benefits will outweigh the costs.

Among other major recommendations of the study are:

- Reducing the number of times coupons are picked up, sorted and counted at the store level for a potential savings of as much as \$60 million to \$70 million of the costs of daily processing. Such costs amounted to \$107.2 million in 1981.
- Persuading manufacturers to either eliminate coupon expiration dates or standardize their position.
- Asking manufacturers to develop standardized guidelines to eliminate complex and difficult-to-handle coupons.
- Establishing more "acceptable" guidelines for reimbursement times. Although some manufacturers presently pay within 30 days, others pay much more slowly. This, in turn, puts pressure on clearing houses and causes them to delay payments to retailers.

Andersen also urges retailers to improve their overall controls of coupon redemptions. Such actions, it claims, could mean deductions of from \$3 million to \$6 million from yearly clearing house fees—totaling \$31.6 million in 1981.

Improving such controls would also be at least a first step in reducing the misredemption of coupons—now estimated at 1 out of 5, or 20%.

However, although there are "legitimate" causes of misredemption (including sloppy bookkeeping practices) the major villain is coupon fraud—approximately \$200 million worth in 1981 and climbing.

While private individuals are certainly somewhat to blame, according to law enforcement officials those most culpable for fraud are actually



Coupons saved consumers an estimated \$100 million last year.

store owners and their employees.

Coupon fraud, at any level, is difficult to prosecute because of the lack of applicable laws. Most states, for example, have only simple theft statutes under which only thefts of over \$2,000 are on the felony level; less than \$2,000 is considered a misdemeanor.

As Bernard Siegel, assistant district attorney, Chief Economic Crime Unit, Philadelphia, explains, "It is very hard to prove a \$2,000 theft with coupons. Basically you have to prove each one and that involves a vast amount of paperwork." This task is much simpler where a scheme statute exists "and you don't have to prove each separate coupon. But most states still do not have this on the books."

The task of preventing, or at least reducing, coupon fraud then falls to the industry itself—including the coupon clearing houses.

At the Pennsylvania Food Merchants Association, the first of what now total 37 state association clearing houses, Al Vicks, president, ceo, believes "One of the most important controls is knowing who you are dealing with." The association has four field people on its payroll who check out the stores it is not familiar with, as well as conduct visual inspections.

Other controls include contacting wholesale houses to check sales volume; examining shipments for coupon mix—if only newspaper coupons are submitted, for example, something is wrong; and utilizing computers to provide a constant history and detailed information on a store's re-

demption patterns.

A danger sign is "if shipments of coupons start to total more than 1.5% to 2% of a store's sales volume," says Vicks. "If this happens, unless it is doing double couponing, we feel we should investigate."

Tracking of coupon redemptions in terms of both coupon source and average amounts is also carried on at the retail level. For example, Jim Stoll, president, ceo, of Stoll's Food and past chairman of the National Association of Retail Grocers, tracks the ratio of coupons redeemed per sales for each cashier and immediately investigates any major change.

The flip side of coupon misredemption is that retailers claim that their coupon shipments are unfairly challenged by the manufacturer. To help prevent such problems, "each January we write coupon information sheets which include all relevant information about our stores and send them out to all of the manufacturers."

Couponing itself is definitely here to stay. In fact, the use of coupons is generally expected to grow to encompass other product classifications.

For example, Robert J. Neely, president of Marketing Showcase, a leading publisher of cooperative promotional advertising supplements, says, "During the next decade I wouldn't be at all surprised to see the technique of coupons extend to promotions for automobiles, airlines, hotels and other high-ticket products and services, as well as such items as movies, records, books and liquor." Success of such efforts is up to the couponing industry itself. ■

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with Shopping Center Age
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From the editor's desk

We present the 1983 Retail Census of costs

Among the most frequently asked questions in retailing by executives is how much do other retailers spend on building and equipping their stores?

Chain Store Age Executive annually has attempted to supply the answers to these very pragmatic questions through surveys of store designers, architects, engineers and the people who either make the purchases or pay the bills for the equipment that goes into the stores.



Stanley H. Slom

Welcome to what advertising agencies are always calling the "new and improved" *Chain Store Age Executive Retail Census*.

This year our Research Department called 180 retail chains and talked to those executives who actually had the figures in front of them. We broke this into six separate retailing categories of 30 respondents each: discount, drug, supermarket, department, home center and specialty.

Those of you who are involved with building and outfitting stores have told me that you are interested in the mean and the median costs, rather than a high-low range. So you don't have to look up the difference, let me explain that the mean is the same as the average. You total up all the numbers and divide by the number of entries. The median is that number on the scale that is halfway between the top and the bottom: half of the entries are above it and half are below it.

To give the numbers even more meaning, in many cases we are running complete charts. Thus, you will know, for instance, how many chains spend less than \$1.50 a square foot, between \$1.50 and \$11, \$11.01 and \$12.50, \$12.51 and \$15, and \$15.01 or more on a particular category. Then we break it down by each of the other categories.

Another question asked by the people who pay the bills is what the life expectancy is for all of these physical support systems. Did you know, for instance, that the estimated median lifespan of ceilings is 11.4 years; signs, 10.8 years; interior lighting, 10.7 years; fixtures, 10.7 years; refrigeration, 10.6 years; voice and data communications instruments, 10.3 years; energy management (hardware and software), 10.3 years; exterior lighting, 10.2 years, and front-end systems, 9.4 years?

You should also know that almost three-quarters (73%) of the executives surveyed were vice presidents. In fact, the titles most often interviewed were: vp/director of store planning (32%), and vp/director of store construction (31%).

I think you'll find the information interesting, factual and useful.

Stanley H. Slom

Remodeling: Everybody's doing it

Making maximum use of existing space is a key element in the shift from new store construction to remodeling

It's the domino effect and it all began when the department chains switched their emphasis from new store construction to remodeling in a big way. Now the nation's general merchandise chains are getting into the act.

The most recent announcement has come from Sears, Roebuck following the opening of its first "Store

planned design changes, Sears obviously has been watching the competition and has learned a few lessons.

The most startling change at Vernon Hills stores is that Sears is beginning to embrace the store-within-a-store concepts that were introduced so successfully by trend-setters such as Macy's and Bloomingdale's.



Sears marketing strategy includes office equipment and consumer electronics.

of the Future" earlier this year in the Vernon Hills Mall in suburban northwest Chicago. Sears will be opening a total of 11 such stores by year-end. If reaction is positive, it will be utilizing these same design concepts in the remodeling of the majority of its 831 units within the next five years. First priority is being given to stores in mall locations.

With the design of the "Store of the Future," Sears is finally providing its updated merchandise offerings with a suitable home. Just as its middle-America consumers have responded well to the introduction of more brand- and designer-name goods into the merchandise mix, Sears also expects them to respond well to its new look in store decor.

Although quiet so far about its

Rather than unbroken lines of merchandise, Sears has begun to create departments, even extending the look to hard goods which account for approximately 70% of Sears' business.

Although Sears management emphasizes that the King of Prussia, Pa., store will be the real prototype for the "Store of the Future," Vernon Hills

points to the company's new directions. Major appliances, including refrigerators and sinks, are found in room settings. Consumer electronics are also presented in a "futuristic" environment, including audio equipment as well as video software and hardware. Sears is also putting a major push on office equipment. (Obviously the expansion of its financial services will also play a role in the new store decor.)

The store is also decorated with muted colors, softer lighting and lowered ceilings. The emphasis is clearly on making the store a more comfortable environment in which to shop. This goes along with Sears' concentration on converting those customers who shop the store for only one item into browsers. The goal is to have them spend more time, and more money, in Sears.

Emphasis has also been placed on improving customer service with more cash registers staffed by more sales people. In each section of the store, the shopper can find two or three employees, while each department also has a sales island handling its own traffic. The islands are replacing the "area" cash stations which the chain introduced in the late 1970's and which have proved to be inefficient.

J. C. Penney is also contemplating a massive remodeling effort. Penney has already announced that it has set aside \$1 billion to be spent over the next five years on modernizing and refurbishing its stores to accommodate the change in its merchandising mix to 70% soft goods/30% hard goods, from the previous 60/40 ratio (*Chain Store Age Executive*, March 1983). Penney is also creating merchandise boutiques.

Montgomery Ward has also unveiled a new store prototype at Ford City, Ill., although it is still keeping mum about how extensively it will duplicate the new design concepts in existing stores. The layout has been switched from Ward's traditional north-south, east-west arrangement, to aisles angling away from the store's center (*Chain Store Age Executive*, June 1983).

Industry profiles

The Industry profiles provide data on what the various categories in retailing are doing in the way of expansion, and offer both mean and median costs for installations of various components. Also, the profiles examine emerging trends in store sizes, formats and locations.

All of these moves come in the wake of massive actions by the major department store chains which for the past several years have been shifting more of their capital expenditures budgets from new store openings to the remodeling of existing units. Although shopping center construction and retail expansion both now appear to be on an upturn, these chains aren't likely to ignore the importance of continuing to up the productivity of existing space.

At May Department Stores, for example, four new department stores opened in 1982 and three more are planned for 1983. For the 1982 to 1986 period, the company expects to add a total of 23 new department stores, or 3 million sq. ft. of space.

However, increasing the productivity of the department store space also remains a high priority, according to the May Mission Statement. This statement emerged as the result of an 18-month study undertaken by the company's senior management aimed at evaluating the corporation's options for the future.

Accordingly, May has announced that over the next five years it will invest more than \$200 million on renovations, remodeling and space reductions. Total capital expenditures earmarked for 1982-86 are \$400 million.

Specifically, in its annual report for fiscal 1983, the company stated that "Best performing space will be maximized, underutilized space will be enhanced and excess space will be eliminated."

Associated Dry Goods during the last year also moved to reduce department store square footage. Including the conversion of its Stewart

& Co. stores to Caldor units and space leased to third parties, this reduction amounted to 1.5 million sq. ft. for fiscal 1983, ended Jan. 30. During the year the company opened four department stores, amounting to 409,000 sq. ft.

Mercantile Stores has also been concentrating on remodeling, upgrading and reallocating space in existing stores. At the same time, it has been replacing its relatively unproductive stores with more efficient units in better locations.

Over the last 10 years, Mercantile opened 35 new units, expanded 14 existing units, and closed 22 older units, for a gross increase of 4,723,000 sq. ft. of retail space. During this same period, sales per square foot have almost doubled, to \$139 from \$70.

However, it's not only the larger general merchandise and department store chains which are concentrating on remodelings. For example, Bill's, a 362-unit variety chain owned by W. E. Walker Stores in Jackson, Miss., also has embarked on a major remodeling and upgrading campaign. It is adding six new departments, including automotive, fishing equipment and year-round toys. The chain is also expanding selling space for areas such as sporting goods and lawn and garden care. While existing stores contain an average of 6,500 sq. ft. of selling space, the remodeled stores will be 8,000 sq. ft. and up.

Perhaps the most extensive remodeling program taking place in the variety store industry is happening at G. C. Murphy. While Sears may be talking about the "Store of the Future," Murphy has decided to move in the other direction, capitalizing on traditional variety store strengths.

It has developed an "old-fashioned variety store decor approach" that debuted at the chain's Monroeville, Pa., mall store. The approach involves blending nostalgic visual effects and specialized merchandise presentations that remind customers of an earlier era.

At Monroeville, there are candy counters with open bins covered by green, white and red striped awnings, a toy department setting reminiscent of a turn-of-the-century toy store and background wall scenes throughout the store that depict American lifestyles of former eras. This approach, or a modified version of it, is already being used at 17 other Murphy locations and will be expanded, according to company management.

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Department

Capital expenditure boxscore

Existing stores

Median:	Mean:
20,000	46,920
sq. ft.	sq. ft.

Stores opened in 1982-83

Median:	Mean:
20,000	44,560
sq. ft.	sq. ft.

Cost to erect a building shell within last 12 months

Median:	Mean:
\$34.13	\$32.67
per	per
sq. ft.	sq. ft.

Productivity Rx: Computerize

One drug store chain has earmarked \$15 million for the eventual installation of computer systems in all of its 502 units



AccuFays computer system automatically generates a prescription label.

The drug chain industry, in its continuing quest to boost productivity, has entered the computer age. The most recent action is taking place in the pharmacy.

While currently between 5,000 and 7,000 of the nation's 40,000 retail drug chains are believed to be computerized, this figure could rise by an additional 50% before 1983 is over, according to industry estimates.

The planned investment is considerable. For example, Peoples Drug Stores, headquartered in Alexandria, Va., has earmarked \$15 million for the eventual installation of computer systems in all of its 502 units. The stand-alone system includes a Honeywell DPS 6/34 unit, one or two video display terminals, a 100 CPS multidirectional printer and peripheral disk drive storage. In evaluating the system, downtime and prescription processing time were key criteria.

The system also uses Compass software modified to Peoples' particular needs, including pricing and labeling requirements.

Fay's Drug, based in Liverpool, N.Y., has already installed AccuFays pharmacy computer center, also utilizing Honeywell equipment, in all of its 87 stores. Estimates place the cost of Fay's system at approximately \$30,000 per store.

Standard Drug, Richmond, Va.,

recently said it intended to become the first totally computerized drug chain in its home state. It is utilizing the Compute-Rx system from Healthcare Venture Corp. along with IBM personal microcomputers.

Although these systems are being used for such "basic" business functions as accounts payable and receivable, payroll, and word processing, in the pharmacy the real benefit comes in the area of third-party prescription reimbursement.

The ability of these systems to provide faster and more accurate pro-

cessing of prescription reimbursement claims to private, state and Federal Government third-party payers is one of the major reasons for Revco's involvement in such a program. The chain, headquartered in Twinsburg, Ohio, has announced plans to expand from a base of some 60 systems, utilizing NEC processors and General Computer software to a total of nearly 600 installations by the end of this year.

Revco reports that of the 50 million prescriptions filled annually in its pharmacies, more than seven million qualify for third-party payments. Sidney Dworkin, president, reports that "by moving these prescription claims more quickly from the pharmacy to our central billing department and on to the payer, we expect the system will greatly expedite payment to us." In its fiscal year ended May 29, 1982, pharmacy sales accounted for 28% of the total sales volume at Revco.

However, as advantageous as they believe the investment in computerization will prove to be, drug chains still haven't lost sight of the importance of efficient store layout, and continue to develop new store prototypes.

An example is Gray Drug Fair which recently opened a new 12,000-sq.-ft. Drug Fair prototype in Potomac, Md., an affluent Washington, D.C., suburb. The store has a merchandise mix carefully tailored to appeal to these upscale shoppers, and its new decor also reflects this image.

Merchandise has been brought together into key departments, each with strong visual definition. Elements include valances, bold overhead fixtures, wider aisles, and lower heights used for the gondolas.

Medi Mart, headquartered in Quincy, Mass., has installed a new horseshoe-shaped pharmacy prototype in five stores, and is thus far very pleased with the results, according to Donald Benovitz, vp-professional relations.

"In this design," he says, "the pharmacist has more time to interact with the customer. In today's marketing environment the consumer is demanding a lot of information and with this design the pharmacist is right there to answer questions."

Drug	
Capital expenditure boxscore	
Existing stores	
Median:	Mean:
8,060	10,930
sq. ft.	sq. ft.
Stores opened in 1982-83	
Median:	Mean:
7,220	12,010
sq. ft.	sq. ft.
Cost to erect a building shell within last 12 months	
Median:	Mean:
\$22.67	\$21.78
per	per
sq. ft.	sq. ft.

Discounters resume expansion strategy

Of discounters surveyed, 77% reported on-going expansion or remodel plans through 1982 and into 1983

Last year at this time major discounters were closing stores, refurbishing older stores, and planning to tighten or reduce capital expenditures. Expansion on a grand scale is still not the game plan for most discount chains immediately, but the blossoming recovery has many retailers looking to 1984 and 1985 as a time to resume expansion cautiously.

Discounters did not cut building programs to the extent that other retail segments did over the past 12 months. According to the results of *Chain Store Age Executive's* census survey, 43% of the department store operators queried and 50% of the home center retailers reported no new building during that period. Only 23% of the discounters questioned said there was no new building at their chains in the past year.

Moreover, some chains such as T.G. & Y., Heck's, Wal-Mart and Venture plan to continue or resume expansion during the next two years.

Venture, a division of May Department Stores, plans to increase the number of stores in its chain 40% by 1985. The company has allocated \$23 million for 1983's expansion program. The 47-unit chain will add four stores during the remainder of this year, eight stores in 1984, and seven in 1985. Venture will also remodel four stores in 1983.

"This year we had a slowdown, but with prices stabilizing there will be more expansion next year," says William Angel, Heck's vp of store planning. Angel explains that Heck's, a 126-unit chain, will concentrate its expansion in small communities with populations of 7,000 to 15,000, and will build 40,000- to 50,000-sq.-ft. stores.

Heck's will open six stores in 1983, three of which are being built from scratch. In addition, Heck's will open six to 10 stores in 1984.

Lynn Nash, division vp of planning at T.G. & Y., explains that the Oklahoma City-based chain cut back its expansion program this year after adding 40 to 50 new stores to its lineup in each of the past two years.

T.G. & Y. is concentrating on remodeling existing stores in 1983, and gearing up for more expansion in 1984.

T.G. & Y. is remodeling its family center stores (40,000 sq. ft. or more) and phasing out its variety stores (30,000 sq. ft. or less).

"The rebound of the economy will encourage discount chains to resume aggressive expansion programs," says Nash. He does not expect expansion to proceed at the same rate throughout the industry, however. "Our pol-



Venture remodels feature new fixturing.

Discount	
Capital expenditure boxscore	
Existing stores	
Median:	Mean:
20,000	39,770
sq. ft.	sq. ft.
Stores opened in 1982-83	
Median:	Mean:
20,000	38,130
sq. ft.	sq. ft.
Cost to erect a building shell within last 12 months	
Median:	Mean:
\$25.17	\$25.79
per sq. ft.	per sq. ft.

icy is to close small stores when we open a larger store in the same trading area," says Nash, who adds that T.G. & Y. will add 25 stores by 1985.

T.G. & Y. gives "a complete face-lift" to its stores during remodeling, replacing 50% of the fixtures, painting interiors, relamping the stores, installing lighting in corner cornices, and bricking up glass areas to gain wall space and increase the total merchandising area of the stores.

In 1982, K mart curtailed capital expenditure budgets, but in 1983 the chain plans to refurbish its stores eliminating low demand departments and allocating the space to new departments such as home improvement, computers and kitchen shops.

K mart has adapted a new strategy for expansion which will increase its role as landlord as well as tenant. The effort is designed to change its real estate involvement from "overhead" to "profit" and to sharpen retail control in K mart stores. An increasing number of K mart stores are to be planned and developed internally, as 29 units were in the past year, according to a recent company report.

Ames, an 118-unit, Rocky Hill, Conn., chain, plans to remodel and reopen 42 ex-King's stores in the last half of 1983 as part of its takeover of King's parent, KDT Industries. Ames will purchase King's fixtures, except for cash registers, to incorporate in the remodels.

Wal-Mart, the 551-unit Bentonville, Ark., chain, plans to add 89 stores this year, and remodel about 35 stores. In addition, the chain is testing a new discount concept this year at an Oklahoma City store called Sam's Wholesale Club. Wal-Mart expects to add another Sam's Wholesale Club store before year-end.

Cook United has 160 units in five discount store groups in the Midwest and South. It operates Rink's, Uncle Bill's, Consolidated Sales Co., Cooks and Clarks stores. Cook United is concentrating its capital expenditures in remodeling activities rather than expansion.

Cook United acquired Rink's two years ago, and has remodeled about a third of the chain's stores so far. Mike Sugat, supervisor of store planning, says Cook United will remodel fewer stores in 1983.

Part of the remodeling strategy was to test new design concepts at Rink's stores in the Louisville area before implementing the changes chain-wide. The results have encouraged Sugat to stick with a new department arrangement and color scheme in earth tones. ■

Memo to store planners: Think big

Superstores continue as the dominant new store format, accounting for 52% of proposed units



This Ralphs store in Irvine, Calif., features graphics and an exposed truss system.

Supermarket chains are continuing to experiment with new store design concepts, whether being used for store remodelings or for accelerated new store construction.

In fact, many chains are reportedly stepping up store openings this year, in response to falling interest rates and lowered inflation. And not only are they building more, but they are building them bigger.

According to George Ackerman, an analyst with Thomas McKinnon Securities, New York, the trend toward building larger stores, especially superstores and combo stores, is definitely increasing.

"I was about to say that the larger-size store is the wave of the future, but it is the wave of the present," Ackerman says. "The major chains, including Safeway, Kroger and Supermarkets General, are convinced that they need a larger-size format to add more nonfood items because these are the most profitable merchandise classifications for them."

He points out that the larger stores allow supermarkets to expand into specialty departments that historically have been beyond a grocery chain's merchandise mix. Specifically, he observes that bigger stores have more room for high-margin nonfood

items.

This means, according to Ackerman, that "the phrase 'food chain' is obsolete because the modern supermarket chain is more than food-oriented. I don't know what language to use. Calling the store 'Food Plus Nonfood' doesn't sound quite right."

The situation is also being complicated by supermarket chains' attempts to cater to the needs of more affluent shoppers. One of the leading

examples is the 132-unit Giant Food chain based in Landover, Md. Among the four new stores it opened in 1982 was an "upscale" unit in McLean, Va. This was specifically tailored to meet the needs of the area's extremely affluent customers, including many labor-intensive "service" departments.

While the chain is not planning to build any new stores this year, according to Albert J. Lechert Jr., vp-construction, it is undertaking a dozen major remodels. For all practical purposes, the remodel makes the store brand new.

Stores chosen for the remodel program are typically 10 years old and are approximately 25,000 sq. ft. in size, he says. However, four of the stores planned for remodeling are being expanded to 45,000 sq. ft. to fit into the store's combination format.

However, larger doesn't necessarily mean "putting on the Ritz." For example, King Soopers, Denver, Colo., is opening five new 60,000-sq.-ft. combo stores this year, compared with eight opened in 1981. The interior formats, according to a company official, "feature a very basic and contemporary decor. We have very little pizzazz."

At Ralphs Grocery Co., the southern California chain, 21 new stores are being opened this year, including a 40,000-sq.-ft. prototype that features what management refers to as an "upscale" warehouse look. The design eliminates drop ceilings in favor of exposed HVAC elements, exposed roof beams and higher gondolas.

Research conducted by *Chain Store Age Executive* indicates that for the supermarket industry-at-large, the size of stores being built this year averages approximately 42,150 sq. ft. Superstores continue as the dominant new store format, accounting for 52% of proposed units.

It appears these will be closely followed in construction frequency by combo stores, accounting for 33% of proposed new stores for 1983. Conventional supermarkets account for only 9% of new store construction plans, followed by warehouse stores at 6%.

But what is most startling about this and other recent surveys is the sharp upturn in new store openings being planned for this year, after the dramatic slowdown of the past few years.

According to the Food Marketing Institute (FMI), 5.8% fewer new stores opened in 1982 than in 1981, and there was a 5.5% increase in store closings. ■

Supermarket	
Capital expenditure boxscore	
Existing stores	
Median: 20,000 sq. ft.	Mean: 42,930 sq. ft.
Stores opened in 1982-83	
Median: 20,000 sq. ft.	Mean: 42,150 sq. ft.
Cost to erect a building shell within last 12 months	
Median: \$33.50 per sq. ft.	Mean: \$37.58 per sq. ft.

Setting trends warehouse-style

In 1982, the top 100 home center chains' sales grew 32% to \$14.5 billion; DIY volume (consumer sales) rose nearly 37% to \$11 billion



Home Depot outlets average more than \$14 million in annual sales each.

High-volume warehouse-type retailing was the hottest trend to emerge in the home center industry in 1982.

Some home center industry observers are predicting that warehouse-style home center operations will be established in every major metropolitan market within five years.

The observers point to the phenomenon of Home Depot, the 10-unit, Atlanta-based chain which last year increased earnings 339% to \$5.3 million on \$117.6 million in sales.

Home Depot outlets—which range from 63,000-82,000 sq. ft.—now average more than \$14 million in annual sales each, about four times the \$3.4 million sales rung up at the typical home center.

One reason the warehouse concept is stirring excitement in the home center industry is because entrepreneurs with only a few stores are able to attain high sales volumes. This gives them the buying power of much larger chains in a relatively short time period.

The Home Depot (see *Chain Store Age Executive* April 1983), is the most publicized example of warehouse-type retailing, but the formula is emerging in other regions of the country.

In March, HomeOwners Warehouse opened in Coconut Creek, Fla., under the guidance of former Lindsley president Pat Sher. Lindsley is a strong south Florida-based home improvement chain.

W. R. Grace, the nation's No. 1 owner of DIY stores, introduced the

five-unit House Works in New Orleans the same month, featuring warehouse-style accommodations.

Significantly, Frank Denny simultaneously resigned as head of Grace's home center division and launched a new chain of warehouse-type home centers in San Antonio.

Observers generally define the warehouse stores as over 60,000 sq. ft. producing volumes of at least \$1 million per month. One of their key strengths is the ability to operate on low margins and high turns.

The move toward warehouse-type outlets in 1982 occurred as home center operators began emerging from the home-building industry slowdown.

According to *National Home Center News'* ninth annual report on the home center industry, the top 100 home center chains' sales grew 32% to \$14.5 billion last year. DIY volume (consumer sales) rose nearly 37% to \$11 billion.

The sales increase is significant because there were actually fewer stores in 1982 than in 1981. There were 4,178 stores operated by the top 100 chains at the end of 1982, a decline of 18 stores over the 1981 total. The construction recession contributed to the new store decline.

Nevertheless, several chains continued on a fast-track expansion pace despite the poor economy.

In terms of store count, Eighty-Four, Pa.-based 84 Lumber remained the largest and fastest-growing chain, adding 20 units to bring its store count to 370 at year-end.

Winter Haven, Fla.-based Scotty's

was second-ranked in new store openings in 1982, increasing its units by 15 to a total of 98 last year. The only other chains that opened 10 or more new home centers each during the year were 100-unit (at year-end) Payless Cashways of Kansas City, Mo., which opened 14; and 98-unit Pay 'n Pak of Kent, Wash., which opened 10.

W. R. Grace, the New York-based parent of Angels, Cashway Home Improvement Centers, Channel, Handy City, Handy Dan and Orchard Supply, constructed only nine stores to bring its year-end total to 273 stores.

Another major chain, Evans Products, Portland, Ore.—owner of Alamo, Grossman's, Hubbard & Johnson, Lindsley and Moore's—actually recorded a net year-end loss of seven stores. Evans announced during the year that its 341 home centers which comprise its retail division are on the selling block. But no buyers so far have been found.

Lowe's of North Wilkesboro, N.C., meantime, opened six units in 1982 to raise its year-end total to 199.

Wickes Cos. cut its store count by 39 to 301 units at year-end as part of the Santa Monica, Calif.-based company's move to trim unprofitable operations as it reorganizes under Chapter XI of the United States Bankruptcy Code. ■

Home center

Capital expenditure boxscore

Existing stores

Median:	Mean:
17,500	28,200
sq. ft.	sq. ft.

Stores opened in 1982-83

Median:	Mean:
17,500	28,920
sq. ft.	sq. ft.

Cost to erect a building shell within last 12 months

Median:	Mean:
\$26	\$28.25
per	per
sq. ft.	sq. ft.

Redesigned format in the cards

Kansas City-based Hallmark Cards plans to build or remodel 100 stores under its "retail enhancement" program involving an entirely new prototype

Specialty chains are sprucing up their images—from the ground up.

- This fall, Hallmark Cards will officially unveil a "retail enhancement" program to participating stores that involves an entirely new format.
- Waldenbooks, with over 800 stores nationwide, has a two-track remodeling program under way.
- Record World, a 44-unit chain based in Port Washington, N.Y., is relying on neon configurations and other expensive decor features to create an exciting atmosphere.

This year, Hallmark will build or remodel 100 stores in the new prototype. Of these 100, 20 stores have already opened or are under construction.

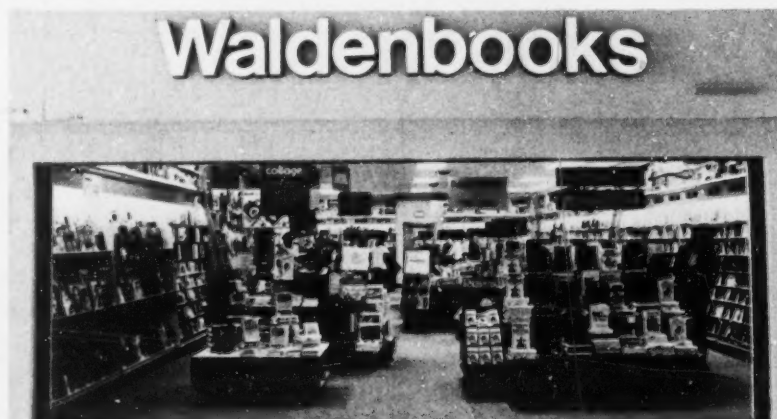
The Kansas City-based company, which wholesales its cards and related products to approximately 8,000 independent store owners, also provides these independents with store planning services.

The retail enhancement program, to be made available to all independents, includes new layout and fixturing, illuminated graphics and new ceiling and lighting treatments. It also features a new color scheme described as "Tidal Sand." The program was designed by Stephen Sanders & Assoc. of Manhasset, N.Y.

Since the greeting card business relies heavily on seasonal and holiday promotions, the new layout is specifically designed to emphasize a current promotional theme.

For example, in midstore, a large hanging box with illuminated seasonal graphics forms a canopy over the cashier's island. The same artwork is used, in nonilluminated form, on a feature fixture installed near the entrance. This fixture, actually a series of stacking cubes about 48-in. high, is stacked with a mixture of products keyed to the theme and thus serves both to promote and to merchandise. Seasonal greeting cards are displayed on two running fixtures nearby.

The Hallmark stores average about 2,000 sq. ft., says Steve Stock, design and retail standards director. No average cost to implement the new program can be estimated, he says, since so much depends on the extent of remodeling required and the pos-



Often Waldenbooks updates half of its fixtures in a renovation.

sibility of retrofitting.

Waldenbooks, a unit of Carter Hawley Hale, has a two-track remodeling program. Plan A, which involves a new lease or lease extension, requires gutting of an entire store. "We rebuilt a new 'gray store,'" says construction director Mike Sotire. "The whole color scheme is gray—gray suede. It looks great with the colorful book jackets. And anyway, we're not in the business of selling walls or fixtures."

Plan B is implemented whenever a lease requires some renovation, such as new storefront or recarpeting. Sotire estimated that such leases involve about one renovation a month.

"Often 50% new fixturing is required as well," he says, "and we often have to redo the ceiling."

Under a five-year plan instituted in 1980, the chain plans to build 80 stores a year. "In 1980 we built 93, in 1981 we built 80 and last year, when we had a lack of sites, we built 70," Sotire said. "But we're basically on target." His costs run higher than *Chain Store Age Executive's* retail census average of \$38.50 per square foot for shell construction, he says.

Sotire notes that installation of a chainwide POS system, now completed, has narrowed the amount of money available for capital construction. "The POS money came out of the fund for renovation, retrofitting and recarpeting," he says. "But now the system is in place and it did not affect new store construction."

Record World is spending well above the retail census average. But Roy Imber, president of the chain, believes that his overall fixture cost of \$25 per square foot is justified. "It's part of creative music merchandising," he says.

The highly competitive record industry relies on interior neon configuration and other expensive decor features to create an exciting atmosphere. Even though Imber aims for a family image and stresses that his chain carries all categories of music, he uses neon in some departments, such as prerecorded tapes. He also puts great stress on training. "We are very service-oriented," he says. "We have to do a lot of training." ■

Specialty	
Capital expenditure boxscore	
Existing stores	
Median: 3,210 sq. ft.	Mean: 10,300 sq. ft.
Stores opened in 1982-83	
Median: 2,500 sq. ft.	Mean: 10,650 sq. ft.
Cost to erect a building shell within last 12 months	
Median: \$31.83 per sq. ft.	Mean: \$38.47 per sq. ft.

Updating fixtures revitalizes stores

To trigger impulse buying, successful fixturing runs from glitter-and-gloss chrome to clear plastic



Fotomat, the photofinishing chain, plans to build 325 stores this year, of which 120 will be walk-in retail stores with slotwalls.

While the basic fixture has not changed dramatically in the last few years, store layouts have. Uncovering innovative ways to use fixtures continues to be critically important to store planners.

As stores upgrade their merchandise mix, stock more items on shelves and less in warehouses, move from heavy reliance on sales clerks to self-service orientation, store designers constantly revamp in-place fixture designs.

Retailers generally agree that fixtures should enhance the presentation of merchandise and trigger impulse buying, but how that goal is achieved varies widely. Successful fixturing runs the gamut from glitter-and-gloss chrome to clear plastic designed to let the merchandise, not the fixture, stand out.

And while stores in all segments of retailing make use of gondolas that

are taller to fit more products in less cubic space, some store planners, notably in department stores, continue to stress a spacious, noncluttered look that they believe is a more inductive buying atmosphere.

Industry observers generally concur on two points: fixtures wear out and become dated. The average lifespan of fixtures ranges from just under nine years to nearly 14 years, according to *Chain Store Age Executive* research.

"Fixtures lose their merchandising usefulness," says Bill Davis, vp-marketing for Merchandising Equipment Group. "In my opinion, fixtures don't wear out but their ability to display new styles of merchandise does."

Adds Frank Nicholas, vp-marketing for Rupert Industries, "Most store planners design a store fixture knowing it has a built-in shelf life. They know the look will change."

Agrees Steve deMartino, vp-sales, Darling Store Fixtures: "A lifespan for a quality fixture is eight to 12 years."

Manufacturers frequently design custom packages under the direction of a chain's architects and store planners. Updating in-place fixtures is a frequent assignment. A recent example of updating fixtures is at The Gap Stores, where some relatively small adjustments in fixture configuration has played a key role in creating a more contemporary environment aimed at appealing to a broader customer profile.

"The Gap's traditional customer is 16 to 25 years old," explains Bob Tonk, vp-design and planning for Miller/Zell, the Atlanta-based store design and consulting firm. It recently renovated 35 Gap stores in the 3,000-5,000-sq.-ft. range, primarily situated in shopping malls.

"The Gap was attempting to broaden their merchandise mix as Levis were becoming less important to them and the discounters were getting into the business hot and heavy," Tonk says.

The stores kept their existing round racks because they were capable of holding great amounts of weight, Tonk says. However, end panels to the stores' straight racks were added to allow the display of tops and bottoms on the same fixture. Previously, Tonk says, jeans were displayed on the left side of the store and the tops on the right. The new fixture configuration, says Tonk, provides "the opportunity to pick up more potential sales."

Fotomat, the Wilton, Conn.-based photofinishing chain with some 3,700 stores in 38 states, is using a slotted-wall display fixture in its walk-in

Support systems

Stories in the support systems section of this Census Issue examine the latest developments in materials and technologies. The articles and charts break out the mean and median costs of particular support systems by the various retail categories.

stores, mainly in regional malls.

Thomas H. Scheuerle, Fotomat's national construction director, says the slotwall system, Displawall 2000 manufactured by Masonite Corp.'s commercial division, has been installed in 40 stores.

"We plan to build 325 stores this year, of which 120 will be walk-in retail stores with slotwall," Scheuerle says. "The others will be traditional kiosk-type outlets."

Fotomat's walk-in stores typically contain 300-400 sq. ft. of sales space and carry photo accessory products such as camera bags, picture frames and photo albums. The store design emphasizes a "wide display area and the slotwall is the only fixture we use other than enclosed glass cases for cameras," Scheuerle says.

Unlike conventional pegboard, which has a series of evenly spaced holes into which each peg fits, slotwall has a horizontal channel. Virtually any type wall fixture, from shelves to hooks, will fit into the slot. Fotomat's slotwall, which covers doors, walls and display cabinets, features a gray and white color scheme to complement the store's photography equipment and supplies.

"In most of our new stores, we panel the recessed V-shaped bulkheads over the storefront signs with the slotwall paneling," says Scheuerle. "We also connect the panels together and use them as freestanding display cubicles on the store floor."

Edward Decker, Fotomat's regional director of specialty stores, says the slot wall "offers a distinctive look and serves as a good attention getter where our space is limited and we want to reach the impulse buyer."

Drug store chains continue the



Small adjustments in fixture configuration can play a key role in appealing to a broader customer profile.

trend of narrowing aisle space and heightening gondolas. An example is Pay Less Drug Stores Northwest, the 150-unit drug chain based in Wilsonville, Ore. In February 1980, Pay Less acquired 60-unit Pay Less of California. Since then, the chain has been "refixturing the takeover stores to our method of merchandising," says Boyd Sempel, construction manager and fixtures equipment buyer.

"Our prototype store is 29,648 sq. ft., while in 1973 it was around 36,000," Sempel notes. "We have cut down aisle space and gone higher. We have as many or more goods on the shelves but in a smaller space."

Pay Less NW utilizes fixtures manufactured by Omaha, Neb.-based Lozier—"predominantly for all the metal gondolas and wall shelving," Sempel notes, "but we do our own manufacturing of wood items such as remnant tables in the fabric department and checkout stands."

ment and checkout stands."

Pay Less uses Lozier's "VS" series shelving system, a shelf with a narrow, 7/8-in. front molding that Sempel likes because "it makes the merchandise more noticeable and the shelf less noticeable."

Gemco, the discount department store division of Dublin, Calif.-based Lucky Stores, is currently remodeling nine of its 86 units. Rocky Jackson, project engineer, noting that the chain is moving from 60-in. to 72-in. gondolas, says the most significant change in its fixtures is its display walls that divide store departments.

The walls formerly used graphic lettering to delineate departments but now are covered with merchandise. Instead of a sign saying "Sporting Goods," the wall itself displays tennis rackets and balls, for instance.

"It gets rid of the graphics and lets the product tell the story," says Jackson.

Montgomery Ward & Co., the Chicago-headquartered mass merchandiser, is refixturing its cosmetics department in 200 stores this year following a four-store test in 1982.

Ward is using fixtures manufactured by Uniweb, Anaheim, Calif. Richard Beedle, Uniweb's vp-sales and marketing, says the program utilizes a four-way fixture "that gets 36 sq. ft. of merchandising capability in 9 sq. ft. of floor space." He says one unique feature of the fixture is its extender panels which can expand the basic gondola by 5 ft. during back-to-school and Christmas promotions.

Justification for the new fixture installation was the chain's decision to move toward more of a self-service approach to cosmetics, requiring the elimination of most glass showcases, Beedle says. ■

Fixtures (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$1.00	5	0	1	0	1	3	0
\$1.00-\$2.50	38	6	2	2	8	11	9
\$2.51-\$5.00	36	9	11	2	3	4	7
\$5.01-\$7.50	9	3	4	0	1	0	1
\$7.51-\$10.00	18	3	4	2	3	4	2
\$10.01-\$15.00	17	3	2	3	3	3	3
\$15.01-\$20.00	14	1	1	5	5	1	1
\$20.01-\$25.00	13	1	0	6	4	0	2
\$25.01-\$30.00	13	2	3	4	1	1	2
More than \$30.00	11	1	2	4	1	0	3
NA	6	1	0	2	0	3	0
Median	7.23	4.87	5.64	20.01	9.18	2.44	4.65
Mean	11.93	9.37	11.01	21.38	11.69	5.68	12.36

Carpeting takes new tacks

Department stores spend an average of \$3.99 per square foot for carpet; specialty stores come in at \$3.42 per square foot

Carpet is the most frequently used floor covering in the retail industry, and, as such, retailers say they are willing to spend more for a product that lasts.

Store planners are careful, though, not to pay a premium for a product that lasts too long. Today's design cycles come in five- to seven-year intervals, so a carpet that will endure for a decade isn't worth the investment to retailers.

Chain Store Age Executive's Retail Census Survey reveals that 90% of

ing—cigarette burns and stains.

The merchants say unidentifiable stains are the worst, but sometimes, as was the case in Chicago at a Claire's Boutique store, knowing the identity of the offending substance doesn't help. "A customer came in and spilled a whole bottle of permanent green hair dye on the carpet a few months ago; we've got two experts working on it now," says Jim Saum, manager of construction maintenance at the 183-unit chain.

Robert Vernay, manager of carpet merchandising, Monsanto, addresses the concerns of retailers: "Basically, cigarette burns are not going to be overcome by any product, but the new nylon fibers—the fourth generation—are addressing the stain problem."

Claire's Boutique replaces carpet every three or four years when it "uglies out." In 1982, carpet was installed in about 50 stores with an installation cost of \$500 to \$600 per store, and a carpet cost of \$500 to \$700 per store, according to Jim Saum. He buys carpet ranging in price from \$7.35 a square yard to \$8.20 a square yard.

Saum prefers using distributors to purchase carpet because they provide installation services. Also the distributors "have more clout than I do if we're only recarpeting one store a year in some areas," he says.

Gary Weis, Richman Brothers' corporate manager of store planning, plans to install nylon level loop carpet (about \$9.50 a square yard with a seven-year lifespan) in all 335 men's clothing stores. "The designer had a

more expensive, heavier weight carpet in mind, but there's no point in paying for a 15-year lifespan when the store designs don't last that long," he says.

Weis has been purchasing the "private label" carpeting through SCS, a New York distributor, for two years. The small mills that produce private label products offer a distinct price advantage because of their low-overhead operations.

Not everyone is sold on the use of distributors. Ron Landt, design coordinator at the May Design division of May Department Store Co., buys from Bigelow, Alexander Smith, and Patrick, and considers buying directly from the mills an advantage over using distributors. Landt thinks the markup is extravagant, "If you're looking at \$8 and \$9 carpet, it could be \$3 or \$4 more through distributors," he says.

Volume Shoe with 1,300 stores in 35 states carpets all of its 3,000 (on average) sq. ft. stores. The company buys multilevel loop commercial grade carpeting from J. J. Industries of Dalton, Ga. Volume switched from a rubber-backed carpet to this \$7 per square yard jute-backed carpet earlier this year.

"It's a good compromise carpet," explained Larry Parnell, purchasing manager, who expects the carpet to last somewhat longer than six years with good maintenance. He says that some of Volume's original carpet purchased 25 years ago is still in use. Volume installs carpet at 150 new stores a year, and remodels an additional 20 to 30 stores annually. ■



Retailers have only two major problems with carpeting as a floor covering—cigarette burns and stains.

department and specialty stores surveyed use carpet as a floor covering. Discount chains are the next biggest devotees of carpet; 40% of them use carpet in their stores, according to the survey results. Department stores expect the longest average lifespan, 8.3 years, of any retailers who use carpet, so it's not surprising that those companies spend the most on carpet.

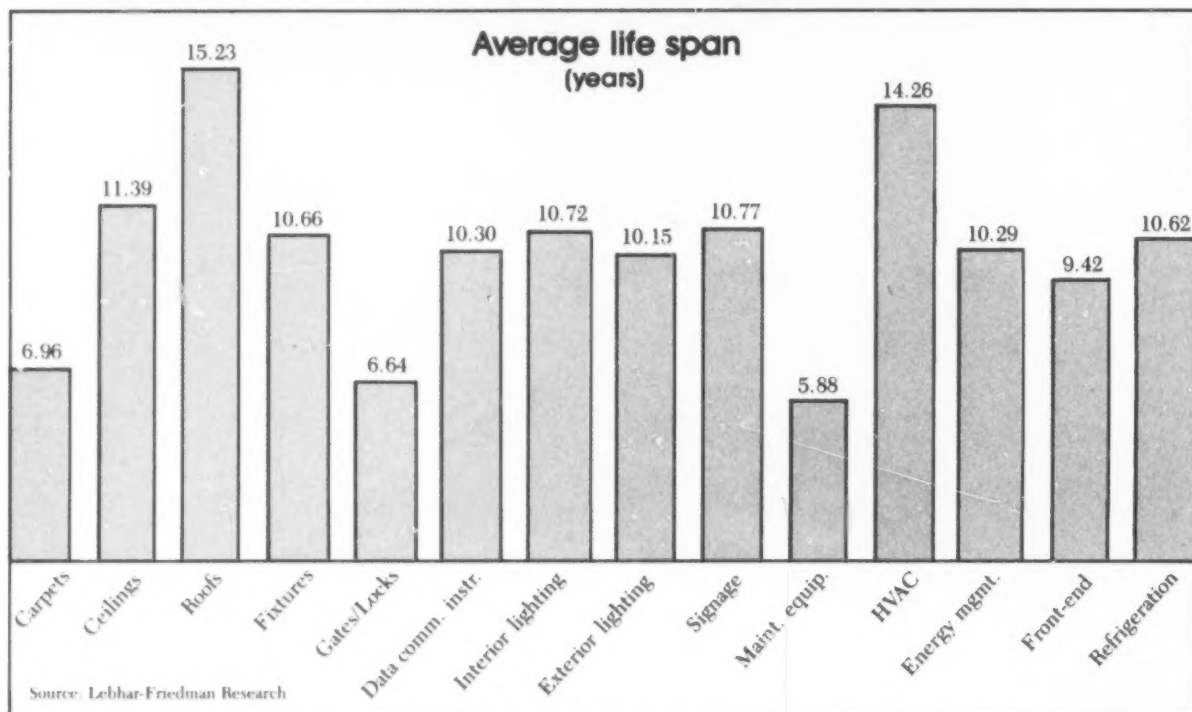
The average expenditure for carpet is \$3.99 per square foot among department store chains queried, and \$3.42 per square foot among specialty store operators. That compares with \$2.40 per square foot for discount stores, and \$2.66 for drug stores where carpet is used only in about 26% of the stores.

Retailers are satisfied with the quality and lifespan of the carpet they use in their stores and only have two major problems with this floor cover-

Carpet
(cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	78	12	8	1	27	3	27
Less than \$0.50	2	1	0	0	0	0	1
\$0.50-\$1.00	17	5	3	1	3	1	4
\$1.01-\$2.50	30	2	3	0	11	2	12
\$2.51-\$5.00	14	3	1	0	7	0	3
\$5.01+	13	1	1	0	6	0	5
NA	2	0	0	0	0	0	2
Median	1.96	1.01	1.51	0.76	2.44	1.39	1.95
Mean	3.27	2.40	2.66	0.75	3.99	1.42	3.42

Life span of physical support systems



In gauging the return on investment of physical support systems, chains want to know the life spans involved. The graph depicts the average life spans of a number of support systems.

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EAS cuts Giant shoplifting

Electronic article surveillance systems help Giant Food to reduce the size of its security staffs at some stores by as much as 80%

As the customer loads her grocery and nonfood selections onto the checkout stand at the local Giant Food Store, she is passing through one of the most sophisticated antishoplifting systems now in use in the supermarket industry.

The system, based on electronic article surveillance, is being installed by Giant Food at stores in both the Baltimore and Washington, D.C., markets.

It has already proved to be so successful that the chain has been able to reduce the size of its plainclothes detective staffs at some stores by as much as 80%, according to Ron Cooke, director of loss prevention.

Giant Food, headquartered in Landover, Md., is joining other su-

permarket chains in making the prevention of shoplifting a high priority.

According to Michael F. DePaola, vp-security and loss prevention for Jewel Food Stores, Melrose Park, Ill., a recent survey estimates that losses in the supermarket industry due to shoplifting were in excess of \$1 billion in 1981. This figure doesn't include equipment or payroll related expenses involved in shoplifting prevention and/or apprehension.

Electronic article surveillance systems have already been in use for a number of years by ready-to-wear retailers. However, most of these systems utilized bulky plastic tags attached to the merchandise which were unsuitable for most supermarket items. It is only recently that the

technology became available to make such systems suitable for supermarket industry use.

At Giant, two types of article surveillance are being used. One involves sharing a radio frequency with radar security alarms while the other is a magnetic system. Both involve the application of paper labels to high-shrink items.

According to Cooke, "About 90% of our high-shrinkage items are tagged in stores where such systems are in place. This amounts to only 3% to 5% of all items in the store, but the labeling is concentrated in the meat, deli, and health and beauty aids departments where statistics show most shoplifting usually occurs. In addition, nonfoods, particularly underwear, socks, film and cosmetics, are considered to be 'highly vulnerable' to shoplifting and are also labeled."

Cooke emphasizes that where the frequency system is being used, most of the labels contain printing "that says the kind of thing people would expect to see on the item." Phrases include "remove before placing in microwave" on a meat tray label, or "keep refrigerated," on a deli item.

The radio-frequency system, supplied by Checkpoint, has been in place in five Giant Food stores for about four years, according to Cooke, with five more installations already planned. The system monitors all checkstands and any open areas where people can exit.

The first magnetic system was installed in a Giant Food store last year. Another has been recently delivered and eight more are on order. The system is being supplied by Sensormatic and it involves gates with sensing devices at every point of entry or exit.

He believes that the advantages of electronic article surveillance include 24-hour protection from shoplifting (particularly important since many of Giant's stores are open 24 hours a day), and lower manpower costs. He also believes that the signs posted indicating these systems are in use serve as a deterrent to impulse theft.

According to Cooke, "The payback of the surveillance equipment has been about 3 to 1 in the first year and is expected to improve."



Security devices triggered by paper labels on packages are fairly new in supermarkets.

Security (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	40	6	7	7	7	7	6
\$0.15-\$0.25	46	11	8	7	6	9	5
\$0.26-\$0.50	28	4	8	4	6	3	3
\$0.51-\$0.75	13	2	1	1	3	4	2
\$0.76-\$1.00	7	0	0	2	0	3	2
\$1.01-\$2.00	10	1	2	1	1	2	3
\$2.00+	12	1	2	1	1	0	7
NA	24	5	2	7	6	2	2
Median	0.24	0.22	0.25	0.22	0.24	0.24	0.51
Mean	0.73	0.48	0.68	0.54	0.52	0.42	1.62

New materials create drama

To create a more dramatic ceiling effect without incurring significant additional cost, some chains are turning to colored tiles and varying levels

While plain white 2-ft. x 4-ft. drop-in tile ceilings remain the standard choice for most operations, certain chains are using dramatic—and expensive—ceiling treatments to create new merchandising effects.

"At Record World we've created different ceiling levels that define the selling areas without building floor platforms," says Stephen Sanders of the architectural firm bearing his name. "It's less expensive and it doesn't create any hazards for shoppers or special difficulties for the disabled."

The 44-unit chain's newest store, in Manhasset, N.Y., features a "floating fascia" or vertical drop system. The fascias are partly faced in silver egg crate and have decorative panels in dark lavender formica suitable for advertising displays. A light cove follows the configuration throughout

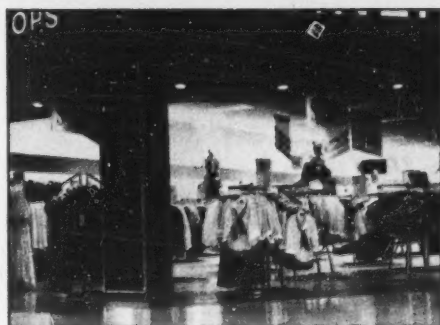
the 3,500-sq.-ft. store.

The cost of such a ceiling runs high—over \$7 a square foot, compared with \$1.76, the highest average for ceiling installation reported by a

Chain Store Age Executive retail census survey. In that survey, average expenditure for ceilings ranged from a low of 76¢ a square foot to a high of \$3.76. The majority of responses

Ceilings (cost per square foot)							
	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Use Drop Ceilings	89	19	19	9	11	17	14
Less than \$0.50	8	0	2	1	2	2	1
\$0.50-\$1.00	26	8	6	2	1	5	4
\$1.01-\$2.50	36	7	5	3	7	7	7
\$2.51-\$5.00	8	2	2	2	1	0	1
\$5.01+	0	0	0	0	0	0	0
NA	11	2	4	1	0	3	1
Median	1.22	1.12	0.97	1.51	1.55	1.01	1.33
Mean	1.47	1.51	1.42	1.81	1.57	1.18	1.48

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Armstrong acoustical ceiling adds visual interest to this Waldenbooks store.

used drop-in or acoustical tile and paid between \$1 and \$1.22 a square foot.

Another spectacular ceiling was created for the mall level of Rich's Lenox Square store in Atlanta by New York's Walker/Group. This ceiling features a center spine in Simplex—polished aluminum with small perforations. The perforations are mainly decorative but also improve air circulation. The store's three other selling floors have plain tile ceilings.

Manning Davis, store development manager of Rich's, is enthusiastic about the ceiling. "It's an important design element," he says. "We've had a good reaction." However, there are no plans at present to use the same design in other stores, he says.

Other department stores, such as Burdine's and Saks Fifth Avenue, are also experimenting with specially designed ceiling treatments. A forward-looking Burdine's store in the International Mall in West Dade, Fla., exposes ducts and lighting fixtures.

To create a more dramatic effect without incurring significant additional cost, some chains are turning to colored tiles and to a 2-ft. x 4-ft. tile scored to give a more linear effect, such as Armstrong's Second Look 2.

For example, Hallmark's "retail enhancement" program is using its tile in a number of card stores. Shopwell's upscale Food Emporium stores use Second Look 2 in beige.

Waldenbooks, in its upmarket mall stores, is also using special ceiling treatment. While standard stores use 2-ft. x 4-ft. lay-ins, the mall stores use 2-ft. x 2-ft. regular with 3/8-in. revealed edge. This tile costs about \$3 a square foot as opposed to an average expenditure of \$1.50 per square foot for standard ceilings, according to

construction manager Mike Sotire.

The Chain Store Age Executive survey disclosed that department stores get the most wear out of ceilings with an average lifespan of over 16 years. Home centers and discount stores had ceiling lifespans of over 13 years. Three department stores and two home centers reported getting more than 20 years out of their ceilings before replacing them.

Asked what kind of ceilings they had installed, 49.4% of the responding chains reported drop ceilings, followed by 47.8% who said they used

acoustical ceilings. Tile got the nod from 9.4%, with 8.3% saying they used something other than those listed.

Drop ceilings had an average of \$1.18 a square foot for home centers up to \$1.81 a square foot for supermarkets.

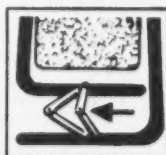
Acoustical ceilings had an average cost of \$1.18 a square foot for home centers up to \$2.06 a square foot for discount stores.

Tile ceilings had an average cost of 75¢ for department stores and \$2.15 a square foot for discount stores. ■



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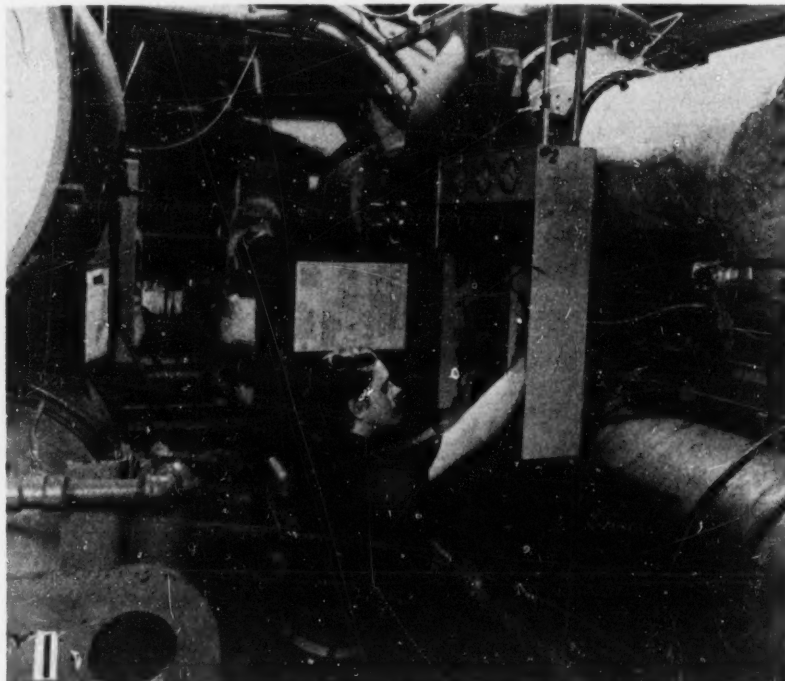
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Wanted: One-step systems

Most energy managers try to lessen utility consumption and basic demand to lower costs; few can factor an actual dollar savings into their projections



Most energy system managers reduce utility consumption through computerization.

“What we need is a box that an installer can program so that our managers can press one button. Not two, but one,” says Deborah Blackmon, assistant director of store maintenance at Cato Corp., a chain that operates 352 women’s apparel stores in 17 states.

She explains that coordinating heating and air-conditioning systems for optimum cost efficiency will work best with energy control systems that involve the least supervision.

Finding a route to the optimum use of heating and air-conditioning equipment is becoming a top priority for energy managers, but finding the right system is not easy when the choices range widely in cost and function. Some machines may simply turn heat and air-conditioning units on or off automatically, while others have sensitive electronic gauges that factor outside temperatures to let head pressure on coiling units “float” to make the most of the units’ compressor power.

Finding the right equipment for a retail chain involves an analysis of store size and existing equipment as

well as dealing with outside factors such as landlord paybacks in cases where a store’s heating or cooling equipment is not self-contained. Some chains require only simple mechanical aids, but increasingly retailers are coming to the conclusion that centralized controls are needed to keep a chain’s energy costs manageable.

“We couldn’t have an energy management system without some type of computer,” says Steve Pearson, senior staff engineer of Fred Meyer, a Portland, Ore., discount chain. Fred Meyer plans to place “optimal start” systems on its air-conditioning units at all 70 stores over the next two to five years. The program started last year, and Pearson estimates that it will involve a \$1,500 cost per store on a one-time basis. The payback period is estimated to be just a few months.

The optimal start equipment is an appendage to the Trimax energy management computer which will eventually be installed chainwide. Trimax is made by Trimax Controls of Sunnyvale, Calif. Pearson travels to each site to supervise installations. In

addition to starting heating or cooling operations, the Trimax system coordinates lighting, handles data logs, and does duty cycling to cut down demand during peak periods.

Pearson estimates the cost of the Trimax installations including programming and hardware vary from \$8,000 to \$30,000 per store.

Choosing the right system depends greatly on the types of stores and existing heating and cooling equipment a planner has to deal with. Earl Roy, vp-store services of Borman’s, an 85-store, Detroit-based supermarket chain, has been testing timing devices for several years.

“We’ve fooled around with stand-alone microprocessors that cover time of day, duty cycling and demand control, but they require more observation and on-site supervision than our staff is equipped for,” he comments, pointing out that Borman’s operates with a three-person headquarters staff to supervise engineering and planning.

The system which Borman’s is moving toward will incorporate a telephone line connection with headquarters which will give headquarters immediate access to a microprocessor and enable the staff to monitor and make adjustments in heating, cooling, and refrigeration systems remotely. Cost of the phone line is about \$100 for installation, \$25 monthly for equipment rental, and depending on frequency, around \$40 a month for usage.

Borman’s has installed energy management equipment made by National Semiconductor, a supplier of cash registers and other front-end systems, at a new 40,000 sq. ft. store in Detroit. The cost of outfitting the first store was about \$25,000 for hardware, software and installation.

Roy is aiming for a 15% decrease in electrical demand, but points out that, “It’s difficult to guarantee specific savings. There are certain low-end marginal stores where we couldn’t justify the expenditures involved in retrofitting older stores.”

Most energy systems managers are trying to lessen utility consumption and basic demand to keep costs from rising rapidly, and few factor into their projections an actual dollar savings



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	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	16	3	3	2	5	2	1
\$0.15-\$0.25	20	8	2	3	1	6	0
\$0.26-\$0.50	13	2	1	0	3	7	0
\$0.51-\$0.75	16	3	4	2	1	3	3
\$0.76-\$1.00	17	2	3	3	3	5	1
\$1.01-\$2.00	24	4	3	8	2	3	4
\$2.00+	55	4	9	10	9	3	20
NA	19	4	5	2	6	1	1
Median	0.99	0.51	0.97	1.51	0.93	0.49	2.00
Mean	2.15	1.24	2.23	2.38	2.21	1.03	3.75

when planning control systems. Wolohan Lumber, a 32-unit, Saginaw, Mich., home center chain, is undertaking a study by Hughes Bechtol, a Dayton consulting and supplying firm, before it tests an energy management system at a pilot store in the Cincinnati-Dayton area.

"Unless we see that it will give us a year and a half to two year payback we will not test the system," says Don Hay, facilities supervisor, who adds that a system that would coordinate heating, cooling, and "the works" would cost about \$7,000 to install at one of Wolohan's more complicated stores in Kettering, Ohio.

In judging the payback period and usage reductions of energy management equipment most store planners automatically shave a few points off suppliers' predictions. Blackmon, of Cato Corp., says, "Manufacturers generally tell us to expect an 18% to 20% reduction in usage, but I think 15% to 18% is a more realistic figure."

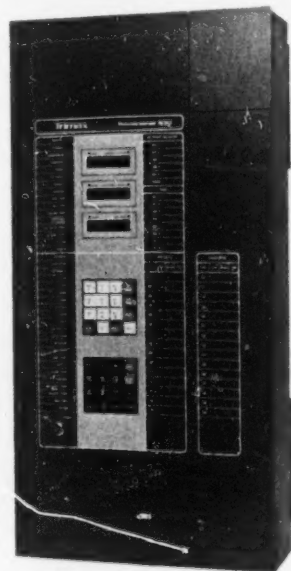
Morris Grandalen, White Drug Enterprises' manager of store planning, is having the opposite experience with the Trimax energy management system. The 43-unit drug store chain's planner chalked up a record 11½ month payback after the vendor had predicted 13 months and Grandalen projected anywhere from 1 to 2½ years.

"We have as many as 10 heating and air-conditioning units controlled by one energy management unit," says Grandalen, who explains that White uses one unit per store. The success of the Trimax machines, he says, stems from the fact that while the machines require minimum involvement from store managers, they allow managers to override the system if necessary.

Sometimes the energy management systems are programmed to bypass the stores' heating and cooling equipment on their own. "All our new

stores have thermostat and sensing devices," says Vern Palm, assistant director of planning and construction at B. Dalton, who explains that these devices take advantage of outside temperatures and help to lessen landlord paybacks for heating and cooling.

In addition, the 671-unit bookstore chain is currently testing a duty cycler called "Save-It" which is billed as a residential energy manager, but with an average store size of 3,000 sq. ft., the low-cost timer can be more effective than more sophisticated systems. "Save-It," made by Electronic Systems International, Norcross, Ga., was installed at two stores for about \$750 each in April, and David Lee Nelson, vp-planning and construction, says it has already resulted in significant savings. ■



Fred Meyer stores will eventually install this Trimax system in all its units.

Maintenance: Out of the broom closet

Varying store size and the "payroll intensive" nature of floor care affect the method chains use



Escalator maintenance is an ongoing job at most multilevel stores.

There was a time 10 or 15 years ago, according to maintenance managers, when it still paid to have stockboys push a broom at stores.

Today floor maintenance is more complicated since the number of outlets at chains has increased greatly. The floor coverings used in stores have also undergone a metamorphosis. Combinations of carpet, parquet, ceramic tile, cement, or vinyl at many stores have made maintenance more of an administrative chore.

Eventually, many chains developed a new job slot just to take care of the floors. Administrators say the task detracted from merchandising priorities, increased capital expense, and added to personnel departments' loads since maintenance is a high-turnover position.

"It's a question of the burden of responsibility," says Ken Myers, general manager of Imperial Valet, a cleaning service which has been under contract for 15 years to Mervyn's, the 94-unit division of Dayton Hudson headquartered in Hayward, Calif.

"I do believe there are hidden costs. I wouldn't recommend in-house floor maintenance if the cost is the same for a service. A reliable service takes away headaches and lets retailers concentrate on merchandising," says Myers.

Diamond's, the full-line, 13-store division of Associated Dry Goods operating in Phoenix, Tucson, and Las Vegas, "did a cost analysis three years

ago and concluded that an outside contractor would be more effective," says Bob Dubasik, director of general services. He explains that the "payroll intensive" nature of floor maintenance convinced his company's management that an outside contractor would be more cost effective in the long run.

Diamond's employs a company called Kellemeier, headquartered in Detroit. "It's a matter of economy of scale," says Dubasik. "We can't get the buys on supplies and equipment that a large contractor can get."

Diamond's stores are about 125,000 sq. ft. on average and the housekeeping contract it has with Kellemeier includes windows and restrooms. Diamond's phased in the service gradually over the past three years avoiding the problem of displacing cleaning crews through layoffs as the workers were phased into other jobs.

Dubasik goes on to explain that Diamond's deal with a lot of floor surfaces including carpet, marble, parquet, concrete and vinyl. "The deeper you look," according to Dubasik, "the more costs seep into a gray area."

In addition to equipment and supplies, management time comes into play—particularly the store managers' and dock supervisors' time, says Dubasik. He comments that prior to using the floor service even the personnel department's time was involved at Diamond's.

"We couldn't even think about bringing the job in-house," says Geoff Robillard, supervisor of maintenance, housekeeping and repairs, at Waldenbooks, the 812-unit, Stamford, Conn.-based chain. He explains that the stores are not large enough to warrant the purchase of expensive carpet shampooing equipment or to store the equipment. "There are too many headaches in the original in-

Maintenance (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	70	11	14	11	8	13	13
\$0.15-\$0.25	34	4	5	5	8	8	4
\$0.26-\$0.50	16	5	2	3	3	2	1
\$0.51-\$0.75	8	4	1	0	2	0	1
\$0.76-\$1.00	9	2	2	2	0	2	1
\$1.01-\$2.00	5	0	0	0	1	1	3
\$2.00+	3	0	1	1	0	1	0
NA	35	4	5	8	3	3	7
Median	0.16	0.21	0.14	0.15	0.14	0.16	0.14
Mean	0.38	0.31	0.42	0.45	0.29	0.44	0.37

vestment for stores the size of ours, and the payback is too long," says Robillard.

The stores, which average about 3,000 sq. ft., have both carpet and parquet floors. Each store is equipped with a vacuum cleaner although the major cleaning is contracted. Robillard estimates that Waldenbooks spent about \$26,000 chainwide for the purchase of vacuum cleaners, and \$1,500 for repairs in 1982.

The cleaners are called Sanitare, a commercial model made by Eureka. Robillard says that for the price Waldenbooks has found the cleaner a good heavy commercial model. "Our store managers tend to beat the hell out of the vacuum so these heavy duty models are a good deal," Robillard adds that there are other companies that make comparable vacuum cleaning equipment such as Clarke of Muskegon, Mich., Advance of Spring Park, Minn., and McGraw Edison of Rolling Meadows, Ill.

Bert Layne, maintenance manager of Gray Drug's Florida region, which covers 155 stores, recalls when janitors and stockboys did the cleaning at Gray's stores. But for the past five years the chain has used a contractor service called Tat Immaculate of Akron, Ohio. The annual budget for each 10,000-sq.-ft. store is about \$1,000.

The cleaning schedule is determined at the store manager's discretion. Stripping and waxing a floor costs from \$150 to \$300 a store, and a simple wash and wax costs from \$65 to \$100 per store.

Many chains are finding cleaning services an effective way to cut maintenance costs. For example, an 80-store, midwestern supermarket chain was able to eliminate an entire job classification by introducing a once-a-week service. But there are some retailers who find the opposite to be true.

Tom Ercolano, assistant vp-architecture and engineering at the 95-unit Channel home center chain, recently introduced an in-house maintenance program at 10 Channel stores. He estimates the in-house program will be 25% cheaper than the service the company currently employs.

"Eventually, we'll have our own equipment chainwide," says Ercolano, who explains that Channel will have one high-speed buffer that cleans and buffs in one operation in each of its stores within the next few years. Ercolano believes the nature of Channel's 20,000- to 40,000-sq.-ft. stores makes the in-house program



This automatic machine scrubs and vacuums dry 25,000-sq.-ft. per hour.

viable. "If you want stores that look like Sears, you clean once a day; otherwise twice a week. We're a home center," he says.

The Fair, a 24-store Texas specialty chain, does its own cleaning at the 25,000- to 30,000-sq.-ft. stores. The porter staff of each store uses buffing and scrubbing machines to clean tile aisles and service areas and shampooers for the carpet. The equipment is moved by store trucks in four zones that cover six stores each.

Charles Ray, senior vp-operations, says The Fair bought two buffing machines and one shampooer last year.

The machinery generally lasts about five years. The buffers cost about \$1,000 each and the shampooer cost about \$1,500. Ray explains that the stores do not use high-speed buffers, which can run as high as \$12,000, since the stores don't have wooden floors or tremendous expanses of tile.

The new shampoo machine made by Clarke has a new process which sprays a chemical on the carpet and then acts like a buffer, according to Ray. It is touted as a low-maintenance machine and Ray believes, "It's going to be great, assuming the chemical doesn't rot the carpet."

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Signing on the bottom line

Compared with a low of 39¢ per square foot being spent by department stores, specialty stores top the expenditure list at \$1.87 per square foot

As retailers try to upgrade their image and contain costs, signs are finally getting the attention they deserve.

Vinyl awning, plexiglas and giant photos are being used extensively in all types of stores.

G. C. Murphy relied heavily on interior signage as it polished its image. The company, which operates 250 variety stores, 111 Murphy's Marts and 40 no-frill Bargain World stores, embarked on a major store overhaul program last year.

Awnings play a prominent role in the "nostalgia" theme recently chosen for the variety stores. Striped canvas in red, maroon, green and ivory are used in the mall stores. Other stores use striped vinyl applied directly to glass to create the effect.

In other signage treatment in the variety stores, hanging plexiglas signs denote interest spots and specialty departments, says Fred S. Lantz, construction director.

In the chain's Murphy's Mart discount stores, hanging rectangular signs in yellow, orange, green and dark brown identify separate merchandising areas. "We started out with canvas signs but now we're using Gaterfoam," Lantz says.

At Bill's, a 362-unit variety chain headquartered in Jackson, Miss., an upgrading campaign is under way.

In the remodeled stores, interior decor and signage will be in beige and orange. Heatfold plastic signs will be used for endcaps and hanging signs for departments. "We want to achieve uniformity," says Jim Klein, store development director.

Supermarkets have also been using signage to target a more affluent customer. New York-based Shopwell, now expanding its Food Emporium concept, is using graphics throughout its stores. Polished Levelor is used in cutout script letters to identify departments, says Robert Winters, vp. "We are moving toward a department store look," he says.

Waldenbooks, the fast-growing specialty chain, considers signage so important that a special "Visual Merchandising Department" has been created, headed by Ron Jaffe. The chain's new and remodeled stores use standardized typefaces for gondola

and overhead signs.

Since introducing its new logo three years ago, Zayre has been taking down the traditional flying sign on top of its buildings and using

storefront canopies to display signs instead. Exterior signs are also displayed on pylons with the size of the signs varying with the building and local ordinance. ■

Signage
(cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	26	3	2	4	5	7	5
\$0.15-\$0.25	37	11	4	6	7	9	0
\$0.26-\$0.50	32	4	5	6	10	4	3
\$0.51-\$0.75	12	1	3	3	1	2	2
\$0.76-\$1.00	18	1	8	3	1	1	4
\$1.01-\$2.00	19	4	1	3	2	3	6
\$2.00+	16	1	2	3	0	3	7
NA	20	5	5	2	4	1	3
Median	0.39	0.24	0.64	0.43	0.29	0.24	0.98
Mean	0.96	0.66	0.93	1.00	0.39	0.88	1.87

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The "industry leader," on the other hand, normally needs expensive dedicated lines. This often requires high-cost drilling and channeling in concrete, marble or stone—especially difficult in existing or older facilities.

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Punching up distribution

Computerized state-of-the-art systems can read labels, pick inventory, transport it through the warehouse, load it and ship it to the correct store

Computers continue to grow in importance in modern warehouse operations.

Revco, for example, the Twinsburg, Ohio-based drug chain, has equipped its newest facilities with a state-of-the-art computer system. New warehouses in Kansas and Alabama have computers that print labels to expedite picking of merchandise.

Lane designator labels, attached to completed orders, are keypunched into a terminal located near shipping docks and this, in turn, triggers high-speed rollers that divert merchandise to the proper truck for loading.

The chain, which invested an estimated \$25 million in the computer system and expansion of a warehouse in North Carolina, uses IBM 38 hardware with customized software. On completion of the current installations targeted for this month, the chain will have added over 2 million sq. ft. of warehouse capacity.

Waldenbooks has a 168,000-sq.-ft. central distribution center in Central

Valley, N.Y. The warehouse is tied into the chain's recently installed POS system. Each evening all stores are polled by a computer in Los Angeles and data is then relayed over phone lines to the distribution center. Hand picks are made to replenish stock. A one-week shipping cycle is in effect.

Public relations director Bradford G. Elliott says that the automatic reordering system permits the chain to carry more titles and still control inventory. "We've expanded our assortment," he says, "while reducing our inventory investment." The system, which has been applied so far to the backlist—books in print for at least a year—includes almost 20,000 titles.

However, even an automatic reordering system cannot guarantee adequate supply in every case. Recently, for example, when the Governor of North Dakota suggested that a certain title—"In the Spirit of Crazy Horse"—be removed from libraries, the chain had "a big run" on the book, according to Elliott. "But in normal

circumstances the system works fine," he says.

Despite the success of the Central Valley facility, high transportation costs are already causing the chain to consider another location. According to construction director Mike Sotire, a second distribution center may be sited in the Midwest.

J. Byron's, a department store chain owned by Jack Eckerd Co. and headquartered in Miami, found what it considers a relatively economical solution to its strained warehouse capacity problem.

The 47-store chain, which anticipates 54 stores by the end of October, installed a palletized, double-stack loading system in its 332,000-sq.-ft. warehouse distribution center at a cost of almost \$600,000. The new system went on line in April.

"With our prior system we could barely service 30 stores," says Frank Teramo, manager of construction and maintenance. "We have doubled our loading capacity with this."

The system, which works on compressed air, automatically moves pallets from front to back of the facility for loading purposes, he says.

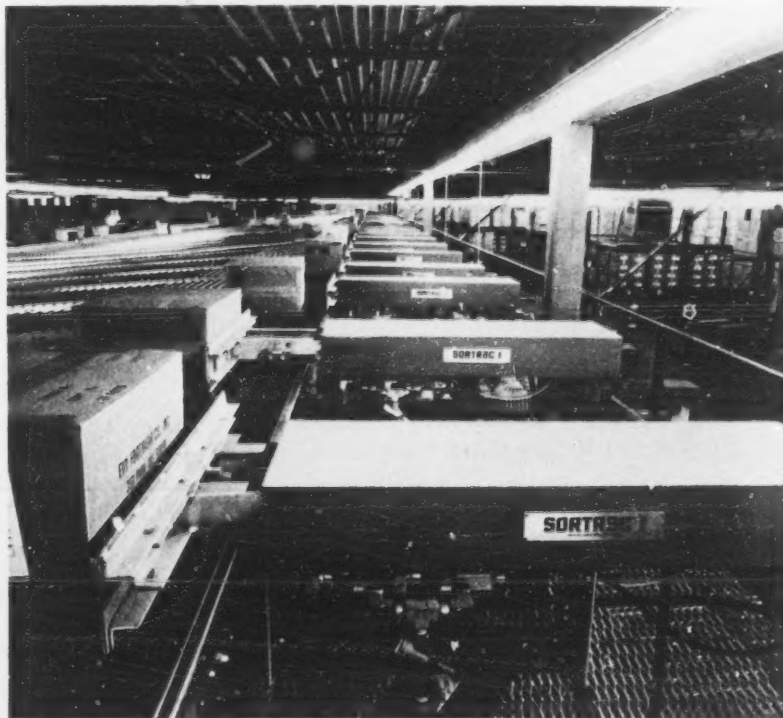
Among pioneers in computerized warehousing is Kobacker Stores, a Columbus, Ohio-based company that operates almost 300 shoe stores under the names of Pickway, Koby's, Pix and Shoe Works.

Six years ago the company installed a computerized system designed to handle individual pairs of shoes, according to Bob Cepanec, Kobacker's vp of materials handling.

Called Sortrac Sortation System, it was installed at a cost of \$1.5 million. It permits the company to pick about 20,000 pairs of shoes per day. Sortrac Sortation is made by Acco-Babcock materials handling group, Frederick, Md.

Using the system, the company picks shoes manually by size and scannable labels are applied to the boxes. The computer scans the labels and automatically expedites the boxes to the correct store.

At present, Kobacker's warehouse distribution center covers 265,000 sq. ft. including 100,000 sq. ft. in additional storage racking added two years ago.



Sortrac's computer scans the labels on the boxes and automatically assigns the merchandise to the designated location. It can handle 20,000 pairs of shoes per day.

Experimenting with sources

At Zale, payback on the low-voltage lighting system being installed in all of the chain's new stores is turning out to be in less than 12 months

While it may not be comparable to Thomas Alva Edison's inventing the lightbulb, retailers are conducting some relatively sophisticated experiments with interior store lighting sources.

The key variables are the purpose for which the lighting is being installed, what type of image the store wants to project, and the extent of the commitment to energy cost-savings. The ideal solution calls for balancing all three considerations.

This is a subtle, but significant change from the attitude of several years ago. Then some retailers became so intent on cutting costs that in turning off the lights, they also turned off shoppers. In some cases, a decline in sales was a direct result.

Now, though, retailers have become less price-conscious, especially when it comes to the up-front investment. More aware of product differences with so many new energy-saving light sources already on the market, and more about to be introduced, retailers are becoming more discerning buyers.

As Frank LaGiusa, applications engineering, General Electric, explains, "The purchase price of something is most significant when you have reduced the product to a commodity. But recognizing that different lighting sources have distinct qualities, buyers are now paying less attention to the price, and looking more at bottom-line results."

Consequently, particularly when it comes to accenting areas of the selling floor, "People are now buying better quality lighting to do a more dramatic job," says LaGiusa. "They are willing to spend money up-front to get a better impact, especially now that they are also able to get a faster payback in energy savings and through increased sales."

What's happening at Zale Corp., a Dallas-based jewelry store chain, supports this theory. Not only is the chain installing low-voltage lighting systems for accent lighting, using General Electric bulbs, but it is also using them for ambient lighting throughout the store.

According to Jack Sims, vp, insuring that such a system would be cost-efficient took over a year of testing.

"We had to make certain that the return on our investment would be worth it. We wanted to be sure that the costs put into the system would be recovered in energy savings."

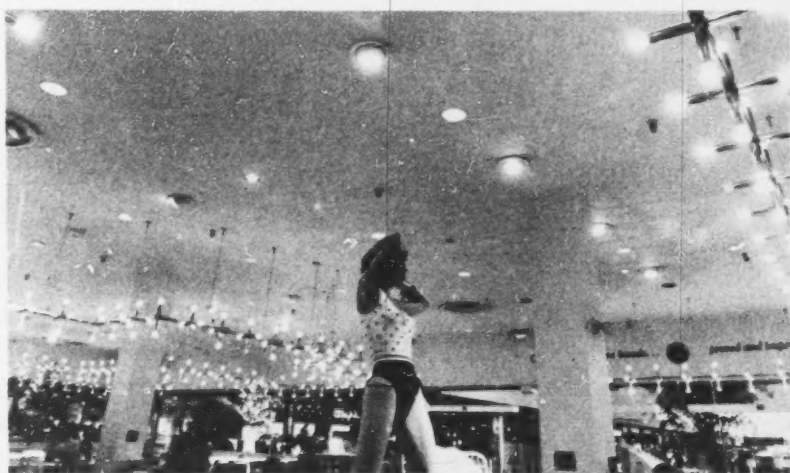
Much of this testing involved devising "tricks with the type of transformers we were using, with the placement of the transformers, and with various types of wiring," says Sims.

But the effort appears to be worth it. With this lighting system now going into all of the chain's new stores, "Payback is turning out to be in less than 12 months and when you have mostly 10-year leases, with 10-year options, that matters a lot," he observes.

Not only has the company achieved a tremendous savings by changing to 75 watts from 120 watts, "but we now have a much better quality of light, more pure white light which is particularly important in selling jewelry," says Sims.

Woodward & Lothrop, the Washington, D.C.-based department store, is also working on ways to boost lighting efficiency while cutting energy costs. Such efforts are part of the chain's massive energy conservation program which in the past five years has saved the company over 18 million kilowatt hours of electricity, according to Bert Weller, manager of utilities.

Currently the company is experi-



Retailers are buying better quality lighting to do a more dramatic job.

Interior lighting (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	12	2	2	1	2	5	0
\$0.15-\$0.25	18	5	3	1	3	5	1
\$0.26-\$0.50	29	8	5	2	5	8	1
\$0.51-\$0.75	16	3	4	5	2	1	1
\$0.76-\$1.00	18	1	4	2	4	5	2
\$1.01-\$2.00	36	5	5	9	7	2	8
\$2.00+	34	2	4	3	6	2	17
NA	17	4	3	7	1	2	0
Median	0.85	0.45	0.73	1.06	0.92	0.39	2.00
Mean	1.63	0.94	1.34	1.50	1.65	0.81	3.33

menting with a new 88-watt quartz bulb, manufactured by Indy Lighting, Indianapolis, "that does the job of a 125-watt bulb and with the color of light exactly right," says Weller. "We are using this bulb where previously we would have used a warm-white fluorescent and it highlights so perfectly that the product stands out great."

The chain is also experimenting with the use of solid-state electronic-



Purpose, image and energy savings are key elements in determining methods.

type transformers for incandescents, with these currently being tested at the White Marsh, Md., store. These transformers "provide very good light, while also taking much of the heat-load out of the store. This means tremendous savings for us," says Weller.

Among the other products being investigated by Woodward & Lothrop's team of engineers are:

- A new metal halide bulb "that during the warm-up period starts as an incandescent, then goes to metal halide," explains Weller.
- Products suitable for use in task lighting, a subject which "is receiving more and more attention with tremendous interest now in that type of design," notes Weller.
- The use of mercury-vapor in fixtures where the color is right for the retail business. "This is a result of the fixturing more than due to the basic light," explains Weller.
- The use of electronic ballasts, already in place at the Seven Corners, Va., store "where we have saved lots of money in terms of refrigeration costs being lowered and less lighting demand."

However, the area of retailing that is perhaps most concerned with experimentation is the supermarket industry.

As it continually moves toward the superstore concept, supermarket

are realizing that more emphasis must be placed on store decor to both attract and intrigue the consumer. In terms of store lighting, this means less reliance on fluorescents and greater use of accent lighting.

An illustration is found at Waldbaum's new 60,000 sq. ft. superstore in Middletown, Conn., where track lighting is being used in the produce department to highlight the displays. As Robert Levine, director, architectural planning, explains, "We are foregoing some energy efficiency,

but we are trying to provide a more esthetic shopping environment."

He observes that in stores as large as the Middletown unit, "We find that using different lighting sources to highlight different products helps to break up what otherwise could be very monotonous for the shopper."

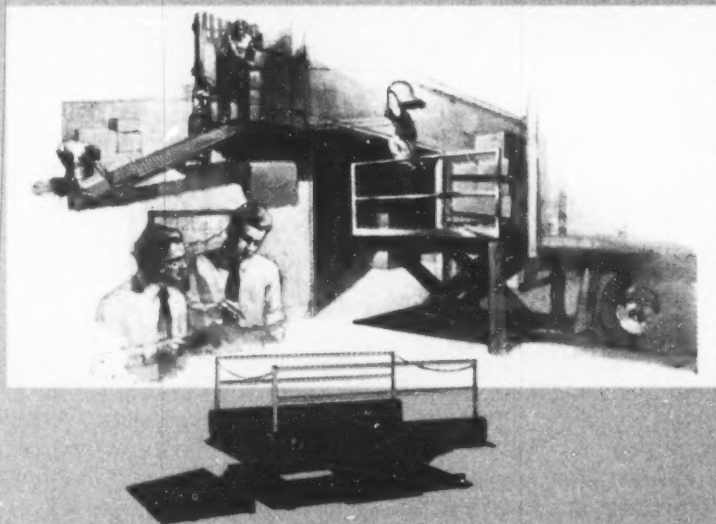
He admits that "Lighting up all of these areas differently is more expensive to do. But while we remain very cost-conscious, we believe that for what we achieve the cost benefits are definitely there."

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Retail takes dim view of inefficient design

Retrofitting exterior lighting often means improving the center's security to avoid possible legal problems

Exterior lighting is one of the stranger aspects of shopping center design. If the consumer notices it, that usually means it's not doing the job. However, that doesn't mean it isn't important.

On the contrary, security considerations are causing many retailers to devise even more stringent exterior lighting requirements.

Robert Levine, director, architectural planning for Waldbaum's, points out that "We've always had very high standards for exterior lighting, I think, in particular, because we started in metropolitan areas. We want to be certain to create an environment where our customers are comfortable and where they experience no misgivings about security."

As a consequence of such concern, shopping centers are improving their exterior lighting systems and using these as a selling point in attracting retailers to their projects.

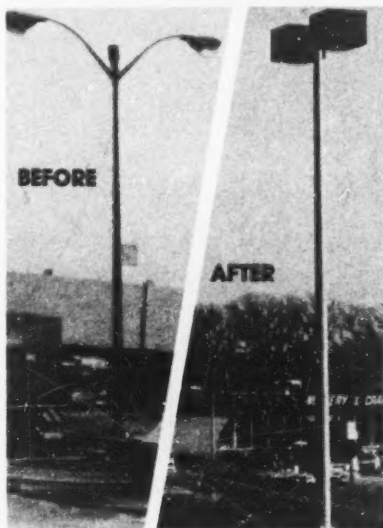
In fact, Bert Benjamin, vp of Q. L. Inc., Northbrook, Ill., points out that in the field of exterior lighting, "The biggest thing currently going on is retrofitting by developers who are updating their centers."

He explains that "They are looking to convert their older, inefficient light sources to more effective and more efficient fixtures. They are doing this for competitive reasons—to keep their tenants and to keep up with the newer projects. They are also looking to give their old centers a new look and changing the lighting is a major ingredient."

Such projects are also just as likely to be undertaken by a successful, though older center as by a faltering one.

For example, says Benjamin, "I am currently working with a major developer who has a center in the Chicago area that is one of the top 10 centers in the country in terms of both size and profits. But it was built in 1956 and the owner realizes that the lighting system needs to change. We are putting two fixtures in where six fixtures used to be, and creating a much more efficient system."

In engineering terms, retrofitting



Old centers take on a new look with more effective lighting fixtures.

exterior lighting often means utilizing the most energy-efficient light source available to get the job done. Cutting costs isn't the only aspect that's important, though. Awareness, attraction, identification and environmental integration of the center can't be ignored, cautions John Bachner of the National Lighting Bureau. In addition, there must be sufficient intensity and dispersion of light so consumers will not become uneasy

when shopping after dark.

Benjamin also points out that the need for improved security to avoid legal problems is another reason why so much retrofitting is taking place. "The courts are really going crazy with all of the legal cases involving poor lighting in parking lots which victims claim led to accidents and/or criminal attacks," he says.

"Often the lighting wasn't really that good when it was put in and as it gets older, it gets that much weaker," he observes. As a result, "Many of the companies who have recently been sued over the lack of proper lighting have lost their cases."

While security appears to be universal concern, the same agreement doesn't exist when it comes to the importance of esthetics and the system's price tag.

Benjamin maintains that "If architects are involved in the specifications, the lighting is often very pretty and costs a lot of money."

He draws an analogy between the suitability of a lighting system and the woman who enters a store and tries on a Christian Dior dress. "The dress may be very lovely, but not fit the customer. The same thing may be true when it comes to some lighting specifications. They need to fit from both an economical and a structural standpoint."

Stan Gribble, president of Hahn Devcorp, also suggests caution when evaluating recommendations for exterior lighting.

"We have asked people in the trade to take a look at what consulting engineers have recommended to us for exterior lighting. We have found that they are not necessarily as current as the suppliers and manufacturers are with the method of installing the lighting and with what systems are really the most efficient."

Exterior lighting (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	50	9	10	3	10	12	6
\$0.15-\$0.25	24	6	3	5	3	6	1
\$0.26-\$0.50	21	1	6	5	2	5	2
\$0.51-\$0.75	13	5	1	2	2	0	3
\$0.76-\$1.00	14	2	2	4	3	1	2
\$1.01-\$2.00	10	1	1	2	3	2	1
\$2.00+	5	1	1	1	0	1	1
NA	43	5	6	8	7	3	14
Median	0.23	0.21	0.22	0.41	0.21	0.18	0.39
Mean	0.57	0.56	0.53	0.73	0.47	0.49	0.73

Progress in managing energy

Studies show that 40% to 50% of a supermarket's energy bill reflects refrigeration costs, therefore, cutting energy consumption is paramount

Using computer-based micro-processors to operate uneven parallel compressor systems is becoming the most energy-efficient route to lowering refrigeration costs in supermarkets.

Dr. William Toscano, a Framingham, Mass., supermarket consultant, reports that 40%-50% of a supermarket's energy bill is due to refrigeration costs and nationwide electricity costs are rising 15% annually.

Thus, systems that cut down on energy consumption are vital, and uneven parallel compressor systems increasingly are one solution to store planners' equipment needs. The uneven compressors have a number of compressors of varying horsepower capacities. In contrast, an even parallel compressor system—the traditional method—runs on same-size, or equal, horsepower compressors.

"In an even parallel refrigeration system," explains Jimmy Disler, manager of application engineering for Hill Refrigeration, Trenton, N.J., "you might typically have three 10-horsepower compressors tied together, whereas an uneven system might consist of five-, 10- and 15-horsepower compressors that equal 30 horsepower combined."

Disler continues: "As your refrigeration load drops off, you have a greater combination of compressors to turn on and off," resulting in the ability to have more stages to cycle. The uneven compressors more closely



Consumers still seem to prefer open door refrigeration and frozen food cases.

match what the refrigeration equipment actually needs to operate efficiently.

The 152-unit H. E. Butt Grocery Co., based in Corpus Christi, Texas, is installing the uneven compressors in new H.E.B. Food Stores and some retrofit units. This corporate commitment to uneven compressors follows a two-store test in San Antonio that showed 15%-20% energy savings

over the traditional even compressor systems.

Results of a year-long, two-store test—funded by the Department of Energy and conducted by consultant Toscano under the auspices of Oak Ridge Facilities and Manufacturing Automation—were revealed in March at Chain Store Age Executive's SPECS '83 in Kansas City, Mo.

Ralph Mehringer, vp-facility design for H.E.B., says the DOE study "continues to confirm that uneven parallel—particularly with a micro-processor-based control system—is the best way to go."

H.E.B. has installed uneven compressors in six stores—"primarily new stores, but also stores we have remodeled and expanded to our superstore format [45,000 sq. ft. and larger]," Mehringer points out.

Jewel Food Stores, the 190-unit division of Jewel Cos., Chicago, also has installed the uneven compressors in a handful of Illinois stores. "We're approaching it [uneven] cautiously, but it looks like the wave of the future," says a Jewel refrigeration engineer.

Jewel is now taking a look at the

Refrigeration (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	60	0	30	30	0	0	0
Less than \$5.00	22	0	18	4	0	0	0
\$5.00-\$7.50	6	0	3	3	0	0	0
\$7.51-\$10.00	9	0	1	8	0	0	0
\$10.01-\$15.00	10	0	2	8	0	0	0
\$15.01-\$20.00	1	0	0	1	0	0	0
More Than \$20.00	3	0	1	2	0	0	0
Not Applicable	4	0	4	0	0	0	0
NA	5	0	1	4	0	0	0
Median	6.47	0.00	3.78	9.39	0.00	0.00	0.00
Mean	8.45	0.00	4.82	11.93	0.00	0.00	0.00

variety of microprocessor systems being developed specifically for the uneven systems. "The uneven systems need a more sophisticated microprocessor logic system than the evens do," the engineer says.

Another refrigeration-related development unfolding in supermarkets is the increasing utilization of glass-door cases instead of the open coffin cases and multidecks which often are less energy efficient.

The glass-door trend has been greeted with lukewarm enthusiasm by some frozen-food merchandisers, some of whom complain that "if you put a door on a display case, that customer might not stick his hand in there," consultant Toscano relates.

At the Stop & Shop Cos., Boston, Harold Alston, store operations director for the 120 Stop & Shop Supermarkets, says, "We strongly believe in glass-door cases." Alston says glass-door uprights offer "energy savings and allow us to go vertical with our product, which provides greater capacity" than coffin cases.

"As often as we can, we convert our stores to glass-door cases," Alston continues, adding that there was some initial reluctance among store merchandisers. But selling products "from behind closed doors doesn't seem to be a problem," he relates. "We've never been able to distinguish anything different in sales. The glass-doors don't sell any worse and they don't sell any better."

Jewel Stores has also gone with glass doors almost exclusively in the last two years. H.E.B., as with many chains, uses a combination of coffin and glass doors. H.E.B.'s Mehringer explains that "open upright cases give us better merchandise presentation and impulse sales from our customers. And the newer upright open cases are much more energy efficient than they were in the past."

Currently, Stop & Shop's dairy and meat sections use traditional open coffin cases and multidecks, but Alston notes there "are manufacturers that are trying to talk us into" glass doors for those products. He notes that "it doesn't take as much energy for dairy refrigeration as it does frozen."

Another trend at supermarkets, including Stop & Shop, is the use of polyester film strips about 1 in. wide and 72 in. long that are installed on vertical open-front refrigerated cases and freezers. Alston says the strips provide warmer aisles next to the cases. They are designed to minimize the amount of humidity taken from the store environment into the re-



Open multidecks still are the predominant method of displaying dairy products even though they are less energy efficient than glass-door cases.

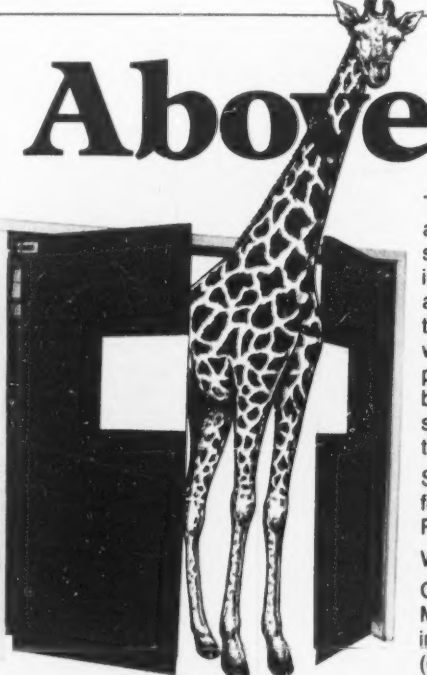
frigerated case's cold-air intake. The result is that there is less frost build-up on the coils, a shorter defrost cycle and less compressor running time—for greater energy conservation.

Energy efficiencies are being achieved on other fronts as well. Air-cooled systems for condensers instead of traditional water-cooled conden-

sors are becoming "a standard operating item," says Hill's Disler. "Water absorbs dirt, and, if not maintained properly, creates mineral deposits which hurt the system's efficiency."

Heat reclamation equipment, which recycles excess heat instead of throwing it outside the building, also has become uniform throughout the industry, Disler adds. ■

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Systems, not costs, go into orbit

Earth satellites are being used by major chains to communicate with stores in regional markets, cutting costs by as much as \$2 million to \$3 million a year

Two major chains—J. C. Penney and Hills Department Stores—are pioneering in the use of earth satellites to communicate with their stores, but other chains may make their moves soon.

Hills is using an RCA satellite to communicate with stores in markets such as Nashville and Knoxville, Tenn., that are far from its Canton, Mass., headquarters.

Penney is using the new United States communications satellite, which was carried by the space shuttle, Columbia, launched last November.

Penney says it expects to save \$2 million to \$3 million a year on its communications bills because of the satellite. Transmissions are being made via Penney's network between the data centers in Reno, Lenexa, Kan., and Columbus, Ohio.

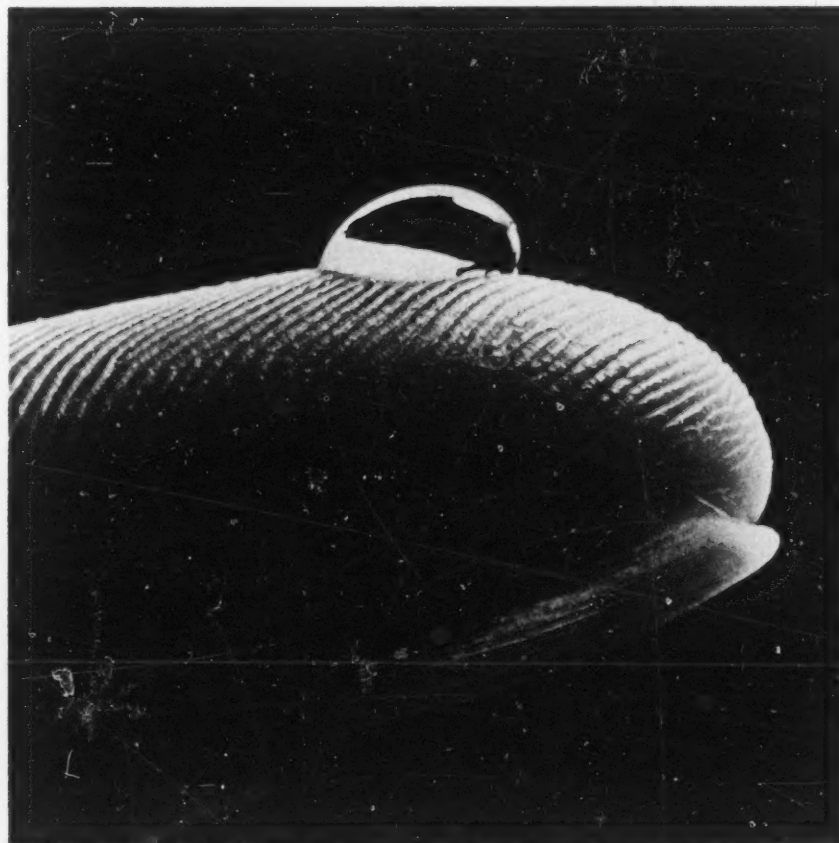
The Southland Corp. is already

moving data between centers via satellite, and is studying a plan to install small low-cost dishes on 300 offices for the transmission of data via a leased satellite network.

Not all retailers have taken to the sky, however. K mart, for instance, has installed minicomputers in the backrooms of its more than 2,000 discount stores, providing high-speed

Communications (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	45	5	6	9	6	10	9
\$0.15-\$0.25	36	6	11	7	5	5	2
\$0.26-\$0.50	30	7	8	2	7	4	2
\$0.51-\$0.75	11	2	2	3	0	4	0
\$0.76-\$1.00	11	3	1	1	1	4	1
\$1.01-\$2.00	13	2	0	2	4	1	4
\$2.00+	9	1	1	2	1	1	3
NA	25	4	1	4	6	1	9
Median	0.25	0.33	0.24	0.21	0.30	0.25	0.23
Mean	0.67	0.63	0.45	0.72	0.67	0.55	1.14



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two-way communications between headquarters in Troy, Mich., and its stores.

Hills' direct electronic communications with its stores—which will be on a chainwide basis by the end of next year—was made possible when Hills upgraded its electronic data processing operation by replacing three small, older computers with a new, larger IBM 3081 mainframe. Its computer costs about the same as the total of the three machines and provides triple the capacity of the combined operation of the replaced units.



K mart operators at headquarters in Troy, Mich., poll stores nightly through minicomputers. This is part of its KIN system.

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Satellite communications make it possible for retailers to move large data files between data centers quickly and economically. "Today, a large file of data takes 1½ days to transmit from one data center to another. The costs are prohibitive. Via satellite, however, we can transmit up to 10 times faster. What once took 1½ days will soon only take a half hour," says Robert Capone, Penney's vp/director of systems and data processing.

Satellite networks also make it possible for retail chains to save on voice communications, and to add new services, such as electronic mail, facsimile-like document distribution and videoconferencing.

The space shuttle has slashed the cost of putting satellites into orbit. Satellite Business Systems says the bill for the ride up for the satellite aboard the Columbia was \$9 million, down from \$24 million for satellites launched earlier by rocket.

Once having been installed, voice and data communications instruments have an average life span of slightly under 10 years, according to the *Chain Store Age Executive Retail Census* study. The median, however, is more like 10.3 years.

Department stores get the most life out of a system with 11.2 years on average, followed by home centers with 10.52 years.

At K mart, its communications network, known as KIN (K mart Information System), was a long time coming on line, and was completed last year.

Ultimately, K mart sees a system in which KIN is used to speed information throughout the chain. KIN consists of minicomputers with memories of up to 65 million bytes in every K mart, plus larger mainframe machines in data processing centers and at headquarters. It currently handles 90,000 invoices daily, and officials say it is only the beginning.

The next major step will be the integration of the store-level minicomputers with POS systems. ■

Over and above decisions

Retailers spend between \$1.01 and \$2.50 per square foot for installations of single-ply, BUR and metal roofs, the three top choices in the survey

Ask any three people involved in retail construction to name their top choices in roofing materials and chances are they would offer three different answers.

This lack of agreement has been a new development in an industry where for decades built-up roofs (BURs) not only dominated the market, but were virtually the only acceptable options for retailers.

However, users started reporting problems with BURs. Leakage was one complaint. Cost was another concern particularly because installation is often a lengthy, labor-intensive process.

In the meantime, manufacturers of other types of roofing materials started directing their marketing efforts at the retail industry. Aware of the slowdown in shopping center construction, they nonetheless recognized a burgeoning market, particularly among retailers and developers who had shifted their construction emphasis to refurbishing and remodeling of aging properties.

As a result of these efforts, there is now considerably greater diversity among retailers when it comes to choosing from the various roofing options now available to them.

This conclusion was borne out by a recent survey conducted for *Chain Store Age Executive*.

Rather than dominating the results, the use of BURs was in a virtual tie with single-ply membranes and with metal roofs, each category accounting for approximately 25% of the retailers' replies. The majority of these retailers reported spending in the range of \$1.01 to \$2.50 per square foot for installation involving each of these materials.

These were followed in popularity by multi-ply membranes at 7%, tar roofs at 3%, and asphalt at 3%. Rubber was the other material mentioned, accounting for 2%. Five percent reported using "other materials," but did not provide details.

In addition to having to select from myriad roofing options, when it comes to drawing conclusions about roofing preferences, the results are further complicated because:

- Many retailers—mostly specialty stores—are not directly involved with

selecting roofing materials since they lease the majority of their stores from shopping center developers;

- Even those retailers who do construct their own stores may often select different roofing materials for different projects.

Woodward & Lothrop is an example of a company that deals with both situations. Although most of its stores are leased, Neil Nealis, construction engineer, reports that when the company has to make the decision, "In the last two stores we opened, we used single-ply for the roof."

The company has also recently started to remodel some of its older stores, "and often we don't touch the roof," says Nealis. "But when we do, we are using either single-ply or a foam roof which can be sprayed on."

He likes single-ply "because it is less expensive and also because it eliminates some of the problem of ripping off the old BUR."

However, Kenneth Grieve, vp-

maintenance and renovation for Grand Union, who has done extensive research on roofing options, says, "I have become more and more convinced that BUR systems done right are still the better way."

He adds, "I really think the story we all need to learn is that if you don't take care of the roof, you will cause problems. You can't just walk away from it and expect the roof to last."

Paul Tente, a roofing consultant and lecturer and president of Paul Tente Associates, maintains that the reason for so much confusion over the best roofing choices is because "Roofing is the only aspect of construction that is an art, not a science."

He feels that "Architects are not taught anything about roofs in their schooling and owners of buildings often give roofing short shrift. They see roofing as being unimportant because it is unseen. They too often buy the lowest cost roofing system instead of what they really should have. ■

Roofs
(cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Use BUR	46	9	5	11	7	7	7
Less than \$0.50	1	0	0	0	0	1	0
\$0.50-\$1.00	7	2	3	2	0	0	0
\$1.01-\$2.50	18	4	1	7	2	1	3
\$2.51-\$5.00	10	1	1	2	3	2	1
\$5.01+	3	1	0	0	1	1	0
NA	7	1	0	0	1	2	3
Median	1.97	1.76	0.93	1.76	3.34	3.13	2.01
Mean	2.68	2.78	1.55	1.93	4.13	3.90	2.25

Roofs
(cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Use Single Ply	47	12	7	9	10	6	3
Less than \$0.50	2	1	0	0	1	0	0
\$0.50-\$1.00	5	0	1	0	0	2	2
\$1.01-\$2.50	19	5	4	3	5	2	0
\$2.51-\$5.00	10	3	0	5	2	0	0
\$5.01+	5	1	1	1	1	0	1
NA	6	2	1	0	1	2	0
Median	2.08	2.21	1.76	3.26	2.06	1.01	0.89
Mean	3.05	3.03	2.96	3.78	2.94	1.25	3.83

Scanning for dollars

By 1986, an estimated 11,280 stores with scanners will be in operation, accounting for half of all sales

Scanning installations in supermarkets increased by 40% in the last year, according to the Food Marketing Institute, an industry trade association.

At the end of March, 7,524 supermarkets were using scanning terminals, compared with 5,373 stores that had scanners at the same time a year earlier.

Supermarkets with scanners represent about 25% of all grocery dollar sales, A. C. Nielsen says. Nielsen estimates that there will be 11,280 stores with scanners in operation by 1986, and they will account for half of all grocery store dollar sales.

After a slow start, scanners, unquestionably, have arrived. One indication of their dramatic growth in the last five years is the fact that only 209 stores were equipped with scanners as recently as 1978, according to Nielsen research. Today, the FMI estimates that over 20% of all supermarkets have scanners, compared with just under 15% at the end of 1981. Three out of every four supermarket chains with scanning systems employ a full-time person whose responsibility is to analyze scanning data. This is another example of scanning's increasing importance.

The benefits of scanning are becoming well-documented. Experts generally divide the pluses of scanning programs into "hard savings" and "soft savings." Hard savings are realized by increasing front-end productivity through a decrease in the number of "rings-per-minute," thus lowering labor costs. Scanning systems typically provide hard savings of 1.2%-1.5% of gross sales.

Soft savings are more difficult to quantify, but they potentially are greater than hard savings. Soft savings refers to the practice of using scan data for resolving a variety of merchandising and marketing problems.

Shrinkage reduction has long been touted as a soft savings benefit. Increasingly, supermarkets are using scanners to control merchandise delivered to the stores. A store can compare individual item sales vs. store purchases. With scanner input, they can pinpoint discrepancies between actual sales and number of products delivered by the vendor. South Dako-

ta-based Randell's Stores is obtaining faster turns and higher gross profits with its new scan-guided space allocation and automatic reorder systems.

Giant Food, Landover, Md., and Safeway Stores, Oakland, Calif., are utilizing scan data in space allocation programs. Computerized direct-store delivery (DSD) systems reportedly reduce shrink and improve "backroom" inventory control.

Ralphs Grocery Co., Compton, Calif., is now installing a new scanner-related accounts payable DSD system in its 120 stores, says Charles Gramlich, director of data processing. Six vendors currently are participating in the program designed to

compare direct-store vendor receipts for each store to the actual scan sales. The goal is to achieve a 25% reduction in shrinkage, Gramlich says.

"For example," he continues, "let's say we received a vendor invoice saying it delivered 12 units of bread to a specific store. Now we can compare the scan data for that store against receipts to see if we actually received and sold all of the items that were billed on the invoice. If we only sold 10 units of bread through the checkstand, two are unaccounted for. The purpose of the system is to quantify the store's potential shrink."

Ralphs also uses scan data for conducting market analyses of various products. The scanners capture data by product, commodity group and store. This information can be used to determine the products' sales volume, share and gross profit. It also is used to determine shelf space allocation, the impact of promotions on product movement and whether product demonstrations within a store are effective. ■



Supermarkets with scanners represent about 25% of all grocery sales.

Front-end (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	90	30	30	30	0	0	0
Less than \$1,000	25	9	9	7	0	0	0
\$1,000-\$2,500	15	4	7	4	0	0	0
\$2,600-\$5,000	16	6	5	5	0	0	0
\$5,000+	25	10	4	11	0	0	0
Not Applicable	3	0	3	0	0	0	0
NA	6	1	2	3	0	0	0
Median	2.67	3.20	1.80	3.80	0.00	0.00	0.00
Mean	4.21	4.55	2.88	5.08	0.00	0.00	0.00

Specialists sought to manage energy

Analysis of existing systems and attention to detail has cut one chain's energy usage by 10%

Architects such as Robert Levine of Waldbaum's have come to the conclusion that "good design is a better tool than all the hardware available." But, adds Levine, where energy management is concerned it seems that retailers still have plenty of nuts and bolts to tighten in the effort to reduce consumption and control the cost of basic utilities.

While planners are spending more on store construction with designs that increase stores' energy efficiency, most chains are still dealing with a variety of energy problems in stores where existing design and construction reflect differing amounts of energy awareness. For this reason, retailers are turning to specialists to track energy consumption and manage conservation and cost reduction.

B. Dalton, a 671-unit bookstore chain, has used many outside consultants to hone its energy systems in recent years. However, rising utility rates and the complexity of the task of operating so many stores effectively have convinced B. Dalton's management of the need for a full-time energy analyst, according to David Lee

Nelson, vp-planning and construction.

Waldbaum's, a 145-unit supermarket chain, appointed an energy coordinator less than a year ago to oversee the staff of engineering and construction personnel and work with the chain's architect.

Many retailers are undertaking new analysis of their energy usage patterns and its cost-effectiveness in currently operating stores. Deborah Blackmon, assistant director of construction and maintenance, started a chainwide evaluation of energy systems at Cato Corp.'s 352 women's apparel stores last spring which she expects to take at least six months to complete.

Arno Herzer, director of engineering at Woodward & Lothrop, a Washington, D.C.-based department store chain, recently completed a major report on energy usage.

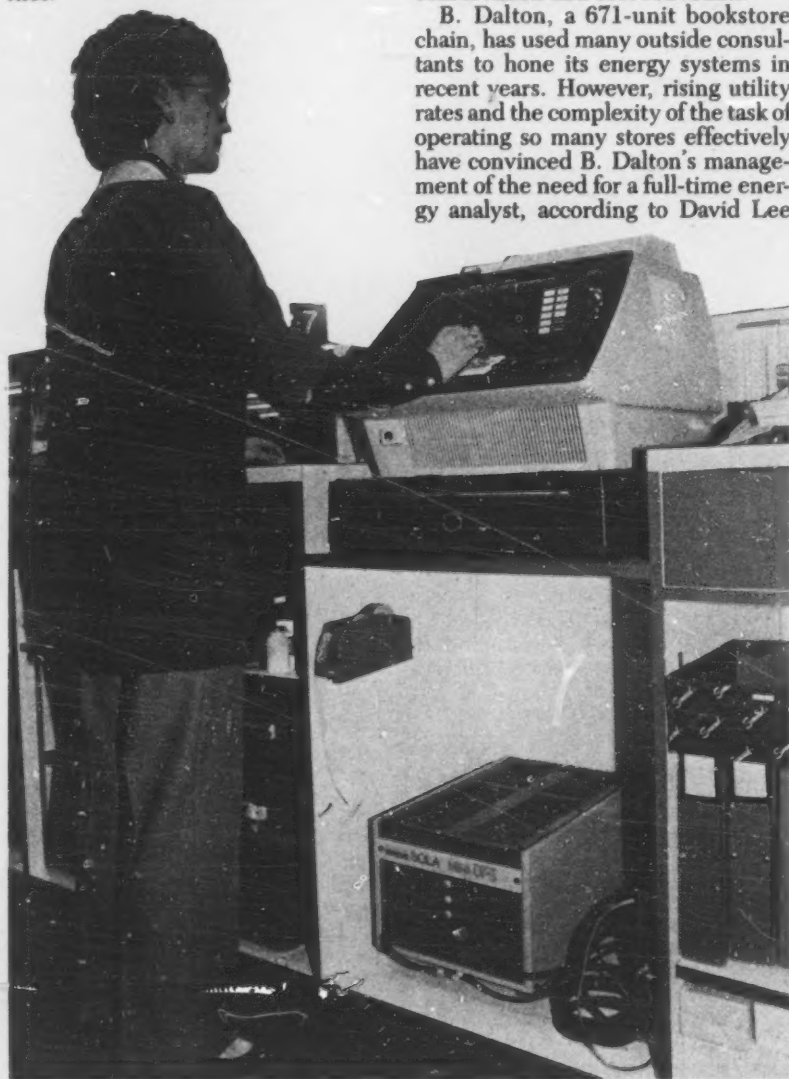
Woodward & Lothrop is an extremely energy-conscious retailer that employs a staff of 330 engineers for the 16-unit company where each store has a full-time engineer on staff.

"If we used the same electricity we used three years ago it would cost us \$1 million more," says Herzer. In fact, one of Woodward & Lothrop's stores is now using less than 30% of the electricity it consumed when the energy management program began 16 years ago, and Herzer says several other stores are approaching that level. He adds that in the last three years the chain has cut total energy usage by 29%, and in the last year alone by 10% over the previous year.

Herzer asserts that attention to detail, not "exotic management or systems" has cut usage and expenses. While the electric rates that Woodward & Lothrop pay have increased 34% over the last three years, the chain's bill has not gone up.

This concentration on reduced consumption comes from analysis of existing systems and simple mechanical improvements. At Woodward & Lothrop, for example, the chain introduced fans to improve the chain's heating and cooling systems' efficiency. Then the engineers cut the operating speed of the fans by one-half yielding a one-eighth reduction in energy usage. The fan size in the stores' main cooling towers further reduced usage. These adjustments in fans alone saved the chain \$30,000 a year, according to Herzer.

Another retail chain that found fans could extend the heating and cooling power of existing systems is Scott's, a 17-store home center chain headquartered in Linthicum, Md. With



At least one register in ShopKo stores has a backup system by Sola.

Energy management (cost per square foot)

	Total	Discount	Drug	Super.	Dept.	Home Ctr.	Spec.
Respondents	180	30	30	30	30	30	30
Less than \$0.15	41	9	6	3	4	13	6
\$0.15-\$0.25	38	10	7	5	7	4	5
\$0.26-\$0.50	31	4	3	9	5	7	3
\$0.51-\$0.75	12	1	3	3	3	1	1
\$0.76-\$1.00	7	2	2	1	1	0	1
\$1.01-\$2.00	4	0	0	1	0	1	2
\$2.00+	8	1	2	2	1	0	2
NA	39	3	7	6	9	4	10
Median	0.24	0.20	0.24	0.37	0.25	0.15	0.24
Mean	0.59	0.44	0.73	0.79	0.55	0.27	0.86

21 ft. ceilings in eight older stores (new store ceilings have been lowered to 14 ft.), Eugene Couser, vp of operations, says the \$1,300 the chain has invested in fans at two stores has resulted in enough energy savings to convince him to extend the program chainwide.

In addition to optimizing the circulation of warm and cool air in the retail side of Scott's stores, Couser started fitting the openings to warehouse areas in the stores with plastic strips to retain heated or cooled air.

Five stores have been outfitted at present at a cost of \$200 per store, and Couser expects the project to be complete by year-end.

Keeping pace with rising utility costs has many chains focusing on lighting systems, and while the methodology is not startling, the number of older stores and the constant improvement in lighting equipment is keeping the fine tuning active.

"In 1982, we had a 30% reduction in energy costs simply by reducing

lighting levels by changing our lamps," says Steve Pearson, senior staff engineer of Fred Meyer, a 70-store Portland, Ore., discount chain.

White Drug Enterprises, with 43 stores, has to cope with very high electric bills since 13 of its stores are electrically heated. As part of a broader energy management system lighting controls have been computerized through an automatic timer system that covers heating and cooling systems as well.

Morris Grandalen, manager of store planning, is at the halfway mark with about 20 stores on the new system. In the next year, he expects to complete installations of the automatic systems at the remaining stores.

At some stores the entire ceiling system has to be rewired to accomplish the change in candle feet, but sometimes it's as easy as taking out every other light bulb. After a decade of energy consciousness, new stores are reaching a state-of-the-art status in energy management. Some are even at the point where "energy savings might be sacrificed for aesthetic concerns" as when Waldbaums' put expensive track lighting in its produce department. ■

Fayva installed a different kind of thermostat.

Their energy costs decreased 19% to 54%.

The Multistat II light sensing thermostat has saved Fayva Shoe Stores up to 54% in energy costs. The only setback thermostat that does not operate by a clock, the Multistat has a light sensor that automatically lowers temperature to predetermined limits when people leave and indoor lighting is reduced.

Fayva wanted an energy saver that would automatically adjust to different store hours on weekends and holidays. They also wanted something tamperproof so employees and customers couldn't play with temperature settings. The Multistat by Dynelco was the only energy saving thermostat to combine these features plus others into a single package that directly replaced their old thermostats. They are working so well in their existing stores that Fayva has specified the Multistat II in their new store specifications.



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Chains performed well in 1982

While sales rose slightly compared with 1981, tight expense controls and lower interest rates boosted earnings substantially

Although Sears, Roebuck & Co. has diversified into many non-retailing endeavors, its Merchandising Group still remains the No. 1 retailer in the United States with 1982 sales of \$18.78 billion.

Total Sears corporate sales, including insurance, real estate and financial services, came to more than \$30 billion last year.

Safeway and K mart remain Nos. 2 and 3 on the list of *Chain Store Age Executive's* annual \$100 Million Club, but Kroger—not including the sales of Dillon Cos. which Kroger acquired in January 1983—moved ahead of J. C. Penney to capture the No. 4 spot.

Woolworth, which unloaded its United States Woolco stores and its investment in F. W. Woolworth Ltd. of Great Britain, slid from sixth place to 16th place in the rankings.

Significant is the fact that among the industry leaders, sales gains in 1982 over 1981 were in a range of slightly under or over the Consumer Price Index inflation factor. Sears' sales increased 3%; Safeway, 6.3%; K mart, 1.5%, and Kroger, 5.6%.

At the same time, however, the im-

portant column—net profits—jumped astronomically for most of these same companies: Sears, 33%; Safeway, 47.5%; K mart, 29.8% before provisions for store closings, and Kroger, 12.3%.

Running through the list of the top retail chains was the fact that, in most cases, earnings as a percentage of sales increased in 1982 over 1981. In some instances, it remained the same and only in a few did the percentage drop.

Return on investment figures have to be judged on an individual basis, rather than drawing any generalizations. Sears, for instance, saw its ROI jump to 7.8% from 4.3% a year earlier, but Safeway's ROI dove from 10.3% in 1981 to 4.1% in 1982. K mart's ROI inched up to 3.5% in 1982 from 3.3% a year earlier. Kroger's ROI went plummeting from 5.9% to 5.3% in 1982. The formula used by *Chain Store Age Executive* in arriving at ROI was to divide the net earnings of the company by its total net worth at the end of its fiscal year.

Other factors just couldn't be put into the charts. Sears reported a major turnaround in credit operations

during the year, offsetting such negatives as the effect of foreign currency devaluations. Direct-response marketing programs, specialty store retailing and specialty catalogs also played important roles in the retail mix of Sears.

The peso devaluation in our border areas had negative effects on most retail chains with stores in the Texas, Florida and southern California areas.

During the year, Kroger acquired Dillon and BATUS added Marshall Field to its stable, while other chains disposed of or closed unprofitable stores, such as Woolworth getting rid of Woolco.

Also not in the charts is the fact that most United States retail chains limped along for a good portion of 1982 and only in the very important fourth quarter did a resurgence of business pull them ahead of a year earlier.

This struggle has continued through the first half of 1983 with both sales and earnings showing increases over 1982, and the stock market reflecting this optimism by increased values of retailing securities. ■

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Chain	SALES (In millions)		EARNINGS (In millions)		EARNINGS AS % OF SALES		ROI	UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year		Most Recent Fiscal Year	To Be Built in 1983
1. Sears*	\$ 18,778.0	\$18,228.0	\$ 432,000	\$285,000	2.30	1.60	7.80	831	14
2. Safeway	17,633.0	16,580.0	159,700	108,300	9.00	6.50	4.10	2,454	NA
3. K mart	16,772.0	16,527.0	261,800	220,300	1.50	1.30	3.50	2,569	NA
4. Kroger	11,902.0	11,267.0	143,800	128,000	1.20	1.10	5.30	1,762	124
5. J. C. Penney	11,414.0	11,369.0	403,000	393,000	3.80	3.50	14.70	2,053	NA
6. Lucky	7,973.0	7,134.0	92,200	95,400	1.10	1.30	6.00	8,852	27
7. Federated Dept. Stores	7,699.0	7,068.0	233,000	258,000	3.00	3.60	5.00	508	NA
8. American Stores	7,508.0	7,097.0	90,400	64,600	1.20	0.90	6.20	1,027	NA
9. Winn-Dixie	6,764.0	6,200.0	103,500	95,400	1.50	1.50	21.10	1,222	NA
10. Southland Corp.	6,757.0	5,694.0	108,100	92,900	1.60	1.60	15.40	7,165	450
11. Dayton Hudson	5,660.0	4,942.0	198,400	159,500	3.50	3.20	12.20	981	117
12. Montgomery Ward	5,584.0	5,742.0	(75,000)	(124,000)	NA	NA	NA	389	5
13. Jewel Cos.	5,572.0	5,108.0	88,100	101,700	1.60	2.00	6.00	704	NA
14. Household International*	5,310.0	5,080.0	5,500	53,300	0.10	1.00	NA	1,113	NA
15. Super Valu*	5,197.0	4,622.0	68,000	64,700	1.30	1.40	8.00	111	NA
16. F. W. Woolworth*	5,124.0	5,075.0	82,100	97,000	1.60	1.90	6.90	5,124	NA
17. A & P	4,607.0	6,227.0	31,211	(101,600)	0.68	NA	NA	1,016	39
18. Grand Union	4,137.4	4,138.0	NA	24,700	NA	0.60	NA	732	NA
19. Albertson's	3,940.0	3,480.0	58,400	48,500	1.50	1.40	20.00	416	33
20. May Dept. Stores	3,654.0	3,401.0	142,000	126,200	3.90	3.70	5.40	1,468	118
21. Wal-Mart	3,376.0	2,445.0	124,100	82,800	3.70	3.40	38.30	551	85
22. Melville	3,262.0	2,761.0	142,100	136,100	4.40	4.90	23.40	5,482	NA
23. Supermarkets General	3,247.0	2,999.0	37,700	30,300	1.20	1.00	5.40	192	14
24. Allied Stores	3,215.0	2,733.0	90,700	88,300	2.80	3.20	6.50	533	34
25. ADG	3,189.0	2,751.0	78,400	69,800	2.50	2.50	4.60	311	16
26. Carter Hawley Hale	3,054.8	2,871.0	49,000	44,800	1.60	1.60	NA	1,026	107
27. R. H. Macy	2,979.0	2,657.0	135,600	118,700	4.60	4.50	18.10	92	2
28. BATUS*	2,967.0	2,158.0	161,100	126,800	NA	NA	NA	211	NA
29. Dillon*	2,823.0	2,494.0	50,500	38,900	1.70	1.60	NA	586	30
30. Wickes	2,658.0	3,517.0	(248,700)	(258,300)	NA	NA	NA	236	NA
31. Publix	2,507.0	2,376.0	46,800	40,000	1.90	1.70	10.10	262	14
32. Stop & Shop	2,342.0	2,168.0	34,800	24,500	1.50	1.10	5.60	379	6
33. Zayre	2,140.0	1,797.0	35,200	22,100	1.60	1.20	11.90	617	12
34. Jack Eckerd	2,080.0	1,753.0	70,700	78,500	3.40	4.50	15.20	1,688	130
35. Walgreen	2,039.0	1,743.0	56,100	42,100	2.80	2.40	20.40	952	95
36. Tandy	2,033.0	1,691.0	224,100	169,600	11.00	10.00	39.70	8,518	275
37. Giant Food	1,852.0	1,684.0	37,200	16,800	2.00	1.00	25.30	130	14
38. McCrory*	1,741.0	1,804.0	70,700	84,600	4.10	4.60	NA	1,792	NA
39. Best Products*	1,582.0	1,109.0	28,800	19,900	1.80	1.80	8.90	202	7
40. Revco	1,554.6	1,310.0	49,600	45,100	3.20	3.40	9.90	1,593	100
41. Belk Stores	1,495.0	1,365.0	NA	NA	NA	NA	NA	360	NA
42. Waldbaum's	1,491.0	1,376.0	16,800	10,400	1.10	0.80	NA	142	3
43. Mercantile	1,428.0	1,269.0	69,900	57,900	4.90	4.60	16.40	84	2
44. S. M. Flickinger*	1,337.0	1,198.0	10,200	9,100	0.80	NA	NA	54	NA
45. W. R. Grace*	1,334.0	1,206.0	23,400	23,000	NA	NA	NA	530	NA
46. Rite Aid	1,295.0	1,066.0	49,900	39,900	3.80	3.70	20.80	1,055	100
47. First National	1,267.6	1,230.0	11,800	7,500	0.90	0.60	17.12	155	8
48. U.S. Shoe*	1,254.0	1,088.0	60,100	58,800	4.70	5.40	10.10	950	NA
49. Service Merchandise	1,195.0	1,027.0	31,600	23,100	2.60	2.20	5.40	139	13
50. Sherwin Williams*	1,162.0	753.3	27,700	23,100	NA	NA	NA	1,748	NA
51. SCOA	1,155.0	1,058.0	36,100	32,100	3.10	3.00	7.80	101	6
52. Longs	1,123.0	1,005.0	30,900	30,300	2.70	3.00	10.70	173	NA
53. Fred Meyer*	1,065.0	1,000.0	NA	NA	NA	NA	NA	68	NA
54. Cullum	1,062.0	975.0	13,000	13,600	1.20	1.40	19.50	120	2
55. Pay 'N Save	1,043.0	949.0	16,800	12,900	1.60	1.40	11.50	254	6
56. Toys "R" Us	1,041.0	783.3	64,200	48,900	6.10	6.20	11.40	144	25
57. Lowes	1,034.0	888.0	25,900	18,300	2.50	2.10	7.90	235	10
58. Hy Vee Food	1,007.0	875.0	NA	NA	NA	NA	NA	122	NA
59. Borman's	1,001.0	977.0	7,400	3,500	0.74	0.36	5.10	100	NA
60. Foodtown	947.1	666.8	21,900	19,300	2.30	2.90	12.40	182	48
61. Pantry Pride	945.8	1,210.0	15,500	150,100	1.60	12.40	0.70	151	NA
62. Zale Corp.	939.8	962.0	(6,100)	33,300	NA	3.40	NA	1,578	NA
63. Edison Bros.	915.9	951.4	23,200	43,700	2.50	4.60	8.80	2,169	NA
64. Scrivner's	910.6	863.7	11,100	9,700	1.20	1.10	20.40	NA	NA
65. Meijer*	885.0	820.0	NA	NA	NA	NA	NA	50	NA

*Prior year restated to reflect discontinuance of United States Woolco operations and sale of Woolworth's investment in its British subsidiary

*Consists of Lerner Stores, McCrory Stores and OTASCO Automotive and Home Accessories Stores

*Data for fiscal year ended Jan. 29 includes results of Basco and Modern acquisitions as of June 28, 1982 and Oct. 2, 1982, respectively

*Retail operations #Estimated () Loss NA Not available/Not applicable

**\$100
MILLION
CLUB**

Chain	SALES (In millions)		EARNINGS (In millions)		EARNINGS AS % OF SALES		ROI	UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year		Most Recent Fiscal Year	To Be Built in 1983
66. Smith's*	\$ 848.8	\$ 785.0	NA	NA	NA	NA	NA	127	3
67. Paeumo Corp.*	825.8	774.7	\$ 17.600	\$ 15.300	NA	NA	NA	126	NA
68. G. C. Murphy	822.3	817.8	11.700	4.900	1.40	0.60	3.80	422	NA
69. Weis Markets	812.0	756.8	43.200	38.000	5.30	5.00	14.90	112	3
70. Bi-Lo	800.0	728.0	NA	NA	NA	NA	NA	NA	NA
71. Carson Pirie Scott	797.6	769.7	11.400	14.500	1.40	1.90	6.80	24	0
72. Evans Prod.*	790.3	756.2	56.300	53.000	7.10	7.00	NA	341	NA
73. Payless Drug (N.W.)	784.7	758.5	19.000	16.600	5.50	5.80	NA	147	NA
74. The Limited	721.4	364.9	33.600	22.400	4.70	6.10	10.40	825	NA
75. Dillards	711.3	592.9	22.000	16.300	3.00	2.70	5.80	65	1
76. Peoples Drug	688.4	634.3	10.400	9.300	1.50	1.50	14.70	554	46
77. Interco*	685.7	672.1	22.300	22.800	NA	NA	NA	847	NA
78. Roses	661.9	594.8	11.600	8.200	1.70	1.40	14.50	238	12
79. Schnuck Markets*	650.0	625.0	NA	NA	NA	NA	NA	60	NA
80. Cook United	646.0	647.7	(6.400)	(3.300)	NA	NA	NA	116	NA
81. National Convenience	617.4	527.5	19.400	10.200	NA	1.90	NA	922	NA
82. Nordstrom	612.9	522.0	27.000	24.800	4.40	4.70	6.60	36	4
83. Allied Supers	603.4	609.4	9.600	7.700	1.58	1.26	16.60	78	0
84. Payless Cashways	603.2	479.0	23.100	16.600	3.80	3.40	8.70	100	NA
85. Price Chopper*	600.0	550.0	NA	NA	NA	NA	NA	60	NA
86. 84 Lumber*	600.0	550.0	NA	NA	NA	NA	NA	370	30
87. Big Bear (Ohio)*	598.0	511.0	NA	NA	NA	NA	NA	63	NA
88. Purity Supreme*	595.0	560.0	NA	NA	NA	NA	NA	105	NA
89. Petrolane*	575.6	566.5	13.900	14.400	NA	NA	NA	148	NA
90. Marsh Supermarkets	568.0	535.4	4.600	7.200	0.80	1.30	3.20	215	NA
91. Petrie	566.7	529.8	42.700	47.100	7.50	8.80	15.90	871	NA
92. Hannaford Brothers*	559.2	530.2	7.900	6.400	1.40	1.20	20.40	75	4
93. Cumberland Farms*	550.0	425.0	NA	NA	NA	NA	NA	1,200	NA
94. Food Giant*	550.0	594.0	NA	NA	NA	NA	NA	90	NA
95. DelMoules*	550.0	510.0	NA	NA	NA	NA	NA	34	1
96. Bruno's	549.3	488.3	12.400	9.100	1.50	1.10	22.20	63	NA
97. Shaw*	525.0	400.0	NA	NA	NA	NA	NA	41	NA
98. Fisher Foods	524.3	1,492.0	(0.176)	21.100	NA	1.40	NA	47	NA
99. Big V Supers	516.9	456.4	7.300	6.400	1.40	1.40	9.00	31	NA
100. Alexander's	506.8	523.6	3.200	9.600	0.63	1.80	1.80	15	NA
101. Pueblo International	505.9	452.8	3.900	3.000	0.77	0.66	2.90	44	NA
102. Thriftmart	502.9	505.9	5.000	4.900	1.00	0.96	5.10	128	NA
103. Cole National	500.3	407.6	12.700	8.700	2.50	2.10	5.20	1,700	NA
104. Giant Eagle*	500.0	500.0	NA	NA	NA	NA	NA	54	NA
105. Gordon Jewelry	489.8	481.5	21.700	26.300	4.40	5.50	10.50	681	25
106. Levitz	485.7	488.5	8.800	8.900	1.80	1.80	2.70	78	NA
107. SENTRY	485.7	447.1	2.100	2.700	0.43	0.60	2.82	88	2
108. Shopwell	477.1	433.1	2.900	1.200	0.60	0.27	3.40	68	4
109. Wegman	475.0	300.0	NA	NA	NA	NA	NA	35	NA
110. Hughes Markets	475.0	400.0	NA	NA	NA	NA	NA	37	NA
111. Strawbridge & Clothier	471.9	425.6	14.100	12.100	3.00	2.80	9.90	31	2
112. Penn Traffic*	465.0	417.0	5.400	4.600	1.10	6.70	4.90	68	NA
113. H. J. Wilson	458.2	402.9	5.600	12.700	1.20	3.20	1.71	75	NA
114. Arden Group*	457.5	476.4	(7.700)	9.200	NA	NA	NA	81	NA
115. Hartmarx*	456.0	442.0	20.500	23.900	NA	NA	NA	348	NA
116. Seaway Food Town	455.4	428.5	4.000	5.200	0.89	1.21	12.10	73	5
117. P & C*	450.0	NA	7.600	NA	NA	NA	NA	NA	NA
118. Morse Shoe	448.0	433.1	(2.200)	10.000	NA	0.30	NA	68	NA
119. The Gap	444.9	417.4	18.200	11.800	4.10	2.80	24.00	545	40
120. Zody's	443.6	391.1	(38.500)	6.600	NA	1.70	NA	50	NA
121. The Boys	440.0	300.0	NA	NA	NA	NA	NA	40	NA
122. King Kullen	428.1	410.3	2.400	2.000	0.56	0.48	8.70	55	3
123. Foodarama	426.0	421.5	1.200	0.780	0.27	1.80	1.90	33	NA
124. Chatham*	425.0	510.0	NA	NA	NA	NA	NA	46	NA
125. Ames	422.8	383.1	12.400	9.900	2.90	2.60	15.60	136	50
126. Harris-Tetter*	422.0	400.0	8.200	NA	NA	NA	NA	72	NA
127. Piggly Wiggly So.	420.0	360.0	NA	NA	NA	NA	NA	75	NA
128. Fedco	402.2	435.0	NA	NA	NA	NA	NA	8	NA
129. Delchamps*	400.0	400.0	NA	NA	NA	NA	NA	67	NA
130. Heck's	399.3	321.3	11.100	13.400	2.70	4.10	4.70	119	NA

*Year-to-year results include acquired operations of Lane Bryant from May 26, 1982, Victoria's Secret from July 30, 1982, and Roaman's from Nov. 23, 1982

*Retail operations only. Earnings pretax. Excludes footwear retailing

*Reflects operating profit

*Retail operations #Estimated () Loss NA Not available/Not applicable

\$100
MILLION
CLUB

Chain	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		UNITS		
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1983
131. Southerland Lumber*	\$ 395.0	\$ 350.0	NA	NA	NA	NA	NA	75	4
132. A. J. Bayless	383.8	384.0	\$ 1.500	\$ 2.500	0.40	0.60	5.10	59	1
133. Schwegmann's*	380.0	400.0	NA	NA	NA	NA	NA	11	NA
134. Ingles	378.1	343.9	3.900	3.900	1.00	1.10	35.70	78	NA
135. Munford	372.6	338.9	7.200	5.700	1.98	1.68	18.30	1,155	27
136. Schultz Sav-O	362.5	336.7	1.300	1.300	0.36	0.40	10.50	38	1
137. Woodward & Lothrop	357.5	334.8	10.800	10.200	3.00	3.10	9.80	16	0
138. Brookshire	350.0	275.0	NA	NA	NA	NA	NA	65	NA
139. Pamida*	350.0	333.8	NA	NA	NA	NA	NA	166	7
140. Giant Food (Pa.)	340.0	300.0	NA	NA	NA	NA	NA	34	NA
141. Red Food*	333.0	305.0	NA	NA	NA	NA	NA	39	NA
142. Jamesway	332.5	296.2	6.800	4.200	2.00	1.40	6.90	68	10
143. Mayfair Supermarkets	330.0	303.0	2.200	0.750	0.70	0.25	50.00	34	3
144. Almaca*	324.0	324.0	NA	NA	NA	NA	NA	39	NA
145. Victory Markets	322.8	300.9	2.600	1.000	0.81	0.33	5.80	90	NA
146. Tradewell Stores*	315.0	300.8	NA	NA	NA	NA	NA	113	NA
147. Randall Stores	310.0	300.0	NA	NA	NA	NA	NA	36	2
148. Times Square*	310.0	287.0	NA	NA	NA	NA	NA	21	NA
149. Consumer's Dist.	309.0	252.1	NA	NA	NA	NA	NA	23	NA
150. Scotty's	308.0	294.0	NA	11.100	NA	3.70	NA	98	7
151. Village Super*	305.0	269.0	NA	NA	NA	NA	NA	20	NA
152. Jitney Jungle*	305.0	300.0	NA	NA	NA	NA	NA	50	NA
153. Gateway*	301.0	270.0	NA	NA	NA	NA	NA	325	NA
154. Fred W. Albrecht*	300.0	240.0	NA	NA	NA	NA	NA	NA	NA
155. Mott's	293.9	289.3	3.500	4.700	1.20	1.60	14.20	24	2
156. Schottenstein Stores	290.6	275.0	13.600	12.700	4.70	4.60	7.90	NA	NA
157. Dollar General	290.1	245.5	11.300	7.200	3.90	2.90	10.70	883	60
158. Minyard Food	290.0	255.0	NA	NA	NA	NA	NA	52	NA
159. General Host*	288.7	268.5	19.100	17.800	NA	NA	NA	664	NA
160. Adams Drug	286.2	242.5	4.600	3.400	1.50	1.40	4.50	446	NA
161. Hook Drugs	285.2	261.2	6.600	5.900	2.30	2.20	7.60	280	NA
162. Star Markets*	280.0	281.0	NA	NA	NA	NA	NA	40	NA
163. Brown Group*	278.1	267.9	23.500	18.300	NA	NA	NA	4,809	100
164. Fay's Drug	270.3	237.8	5.500	3.100	2.00	1.20	7.00	92	NA
165. Pop Boys	265.4	233.5	12.100	11.200	4.50	4.70	9.90	111	NA
166. Piggly Wiggly (RR)*	265.0	260.0	NA	NA	NA	NA	NA	61	NA
167. Fareway Stores	263.0	250.0	NA	NA	NA	NA	NA	42	NA
168. Loshmann's	260.0	240.0	NA	NA	NA	NA	NA	61	NA
169. Grand Central*	256.0	236.0	NA	NA	NA	NA	NA	32	NA
170. Elder-Beerman	255.0	229.0	1.800	1.900	0.70	0.80	1.30	204	3
171. Helmarkets*	250.0	250.0	NA	NA	NA	NA	NA	16	NA
172. S. E. Nichols	247.6	238.3	2.500	(0.464)	1.00	NA	2.80	42	NA
173. Spencer Gifts	247.6	216.2	NA	13.700	NA	6.30	NA	435	NA
174. Oshmans	247.3	216.4	7.100	7.600	2.90	3.50	6.30	177	8-12
175. Perry Drug	244.3	192.1	2.900	(3.400)	1.20	1.80	3.70	125	15
176. Hechinger	241.3	210.6	11.700	8.600	4.90	4.10	18.00	34	7
177. D. H. Holmes	240.7	221.0	7.000	4.600	2.90	2.10	15.00	49	1
178. Milgram Food*	240.0	240.0	NA	NA	NA	NA	NA	42	NA
179. Hess's*	239.6	209.1	5.900	4.700	NA	NA	NA	29	NA
180. Food World (N.C.)	235.0	180.0	NA	NA	NA	NA	NA	49	NA
181. H. C. Prange	233.1	234.7	1.300	2.000	0.80	0.80	3.80	77	NA
182. House Of Fabric*	230.0	180.0	11.300	7.900	4.90	4.40	19.30	822	40
183. Diamond Int'l.	228.0	277.0	NA	NA	NA	NA	NA	119	(19)
184. Save Mart	225.0	210.0	NA	NA	NA	NA	NA	NA	NA
185. Glosser Bros.	223.8	181.7	3.100	1.300	1.40	0.70	13.20	40	4
186. Color Tile*	222.7	227.5	11.900	11.400	5.30	5.00	6.20	NA	NA
187. Miller-Wohl	222.4	221.0	16.500	17.900	7.40	8.00	14.40	315	NA
188. Butera's Finer Foods*	220.0	101.0	NA	NA	NA	NA	NA	27	NA
189. Copps	219.7	214.9	(0.332)	1.300	NA	0.61	NA	29	1
190. Handy Andy	218.6	218.6	NA	18.400	NA	NA	NA	27	NA
191. Lamps*	218.0	185.0	NA	NA	NA	NA	NA	122	10
192. Duckwall-ALCO	216.3	199.1	4.300	2.800	2.00	1.40	12.30	114	3
193. Higbee	215.2	206.3	3.100	2.100	1.40	1.00	2.40	12	NA
194. Brooks Fashion	211.5	179.1	7.200	7.800	3.40	4.40	7.80	500	90
195. Fabri-Centers	210.3	172.8	7.200	5.400	3.40	3.10	15.80	593	50

*Retail operations only. Earnings pretax. 1982 earnings include \$1.46 million gain from sale of 16 convenience stores

*Division of Crown American

*Retail operations #Estimated () Loss NA Not available/Not applicable.

\$100
MILLION
CLUB

Chain	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		ROI	UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year		Most Recent Fiscal Year	To Be Built In 1983
196. B. Altman*	\$ 210.0	\$ 195.0	NA	NA	NA	NA	NA	6	NA
197. Family Dollar	207.4	181.7	\$ 10.700	\$ 9.100	5.20	5.00	12.30	529	100
198. Wawa Markets	207.0	180.0	NA	NA	NA	NA	NA	257	NA
199. Shop N Go	202.0	170.0	NA	5.000	NA	4.00	NA	425	NA
200. Lowe's Food Stores*	200.0	270.0	NA	NA	NA	NA	NA	85	NA
201. D'Urso*	200.0	130.0	NA	NA	NA	NA	NA	19	NA
202. Handyman*	200.0	205.0	NA	NA	NA	NA	NA	80	NA
203. Pay N Pack	187.0	181.0	NA	NA	NA	NA	NA	98	7
204. Bi-Mart*	186.8	169.0	NA	NA	NA	NA	NA	30	NA
205. P. A. Bergner	186.0	182.0	NA	NA	NA	NA	NA	25	NA
206. Rosauer's	185.0	180.0	NA	NA	NA	NA	NA	24	NA
207. Ann & Hope*	185.0	166.0	NA	NA	NA	NA	NA	5	NA
208. Giant Food (Tenn.)	182.9	172.2	NA	NA	NA	NA	NA	23	NA
209. Edward Hines	180.5	195.7	(3.900)	(1.200)	NA	NA	NA	25	NA
210. Central Hardware*	180.0	170.0	NA	NA	NA	NA	NA	30	1
211. Wieboldt's	179.1	177.9	(1.900)	0.893	NA	NA	NA	30	NA
212. Ohrbach's*	175.0	164.0	NA	NA	NA	NA	NA	12	NA
213. Thriftway*	175.0	122.0	NA	NA	NA	NA	NA	21	NA
214. Harts*	175.0	157.0	NA	NA	NA	NA	NA	24	NA
215. Charming Shoppes	174.3	143.9	12.100	10.900	7.00	7.60	14.10	298	33
216. Sunshine Jr. Mkts.	172.3	178.8	NA	NA	1.00	1.10	6.20	365	NA
217. Hardings Friendly Mkts.*	172.0	150.0	NA	NA	NA	NA	NA	38	NA
218. Big Bear (Calif.)*	170.0	160.0	NA	NA	NA	NA	NA	36	NA
219. Fisher's Big Wheel	169.3	164.0	NA	NA	NA	NA	NA	69	NA
220. Younkers	166.6	164.5	1.900	3.500	1.10	2.10	1.80	29	NA
221. Pier 1 Imports	165.0	159.5	8.600	7.900	5.20	5.10	11.00	297	NA
222. Boscov's*	165.0	150.0	NA	NA	NA	NA	NA	9	NA
223. Danners	163.2	143.4	0.499	0.860	2.70	6.00	0.82	57	NA
224. Men-Dell*	160.0	145.0	NA	NA	NA	NA	NA	18	NA
225. Sloan's Supers*	160.0	150.0	NA	NA	NA	NA	NA	41	NA
226. The Pantry	160.0	350.0	NA	NA	NA	NA	NA	480	NA
227. Genovese	158.7	134.2	2.600	1.800	1.60	1.30	6.20	66	NA
228. Angelo's*	158.0	175.0	NA	NA	NA	NA	NA	72	NA
229. Boise Cascade*	155.0	153.0	NA	NA	NA	NA	NA	93	0
230. Syms*	152.0	142.0	NA	NA	NA	NA	NA	11	NA
231. Sprouse-Reitz	150.5	151.6	NA	4.600	NA	3.00	NA	322	NA
232. Rice Food	150.0	148.0	NA	NA	NA	NA	NA	37	NA
233. Sunflower*	150.0	150.0	NA	NA	NA	NA	NA	110	NA
234. Bashas*	150.0	258.0	NA	NA	NA	NA	NA	30	NA
235. Harmon City Mkts.	150.0	135.0	NA	NA	NA	NA	NA	5	NA
236. Eberhard*	150.0	131.0	NA	NA	NA	NA	NA	34	NA
237. Winns	149.4	134.4	NA	NA	NA	NA	NA	228	NA
238. Dan's Supreme*	148.0	140.0	NA	NA	NA	NA	NA	26	NA
239. B & B*	145.0	125.0	NA	NA	NA	NA	NA	24	NA
240. ZCMI	141.3	134.2	NA	NA	NA	NA	NA	8	NA
241. Big Y Foods	140.0	135.0	NA	NA	NA	NA	NA	16	NA
242. W. E. Walker	139.6	142.2	NA	NA	NA	NA	NA	350	NA
243. Jewelco*	136.3	134.1	6.700	9.300	NA	NA	NA	23	1
244. Waresmart*	135.0	114.0	NA	NA	NA	NA	NA	19	NA
245. Kobacker Stores	131.4	135.1	3.800	5.100	2.90	3.70	6.30	275	8
246. Singer Super*	130.0	150.0	NA	NA	NA	NA	NA	6	NA
247. Hamady	130.0	135.0	NA	NA	NA	NA	NA	34	NA
248. Farmer's Market*	128.0	134.0	NA	NA	NA	NA	NA	12	NA
249. McRae's	127.0	120.0	NA	NA	NA	NA	NA	12	1
250. Haverly Furniture	125.0	122.0	2.600	2.000	2.00	1.60	2.80	65	NA
251. White Stores	125.0	125.0	NA	NA	NA	NA	NA	46	NA
252. United Supers*	125.0	120.0	NA	NA	NA	NA	NA	38	NA
253. Grand Auto	122.2	120.0	3.500	2.600	2.90	2.20	6.30	80	NA
254. Farm Stores*	120.0	115.0	NA	NA	NA	NA	NA	252	NA
255. Cals Foods	120.0	115.0	NA	NA	NA	NA	NA	24	NA
256. Home Depot	117.6	51.6	5.300	1.400	4.50	2.80	16.00	10	6
257. Forest City*	117.3	111.0	1.900	(1.600)	NA	NA	NA	1,420	NA
258. Dahl's Food Mkts.	115.0	134.0	NA	NA	NA	NA	NA	10	NA
259. Zippy Mart*	110.0	114.0	NA	NA	NA	NA	NA	315	NA
260. Royal Farms	110.0	115.0	NA	NA	NA	NA	NA	21	NA
261. Great Scott*	104.0	125.0	NA	NA	NA	NA	NA	14	NA

*Retail operations #Estimated ()Loss NA Not available/Not applicable

Source: Chain data and Chain Store Age Executive estimates

\$100
MILLION
CLUB

Sanger Harris

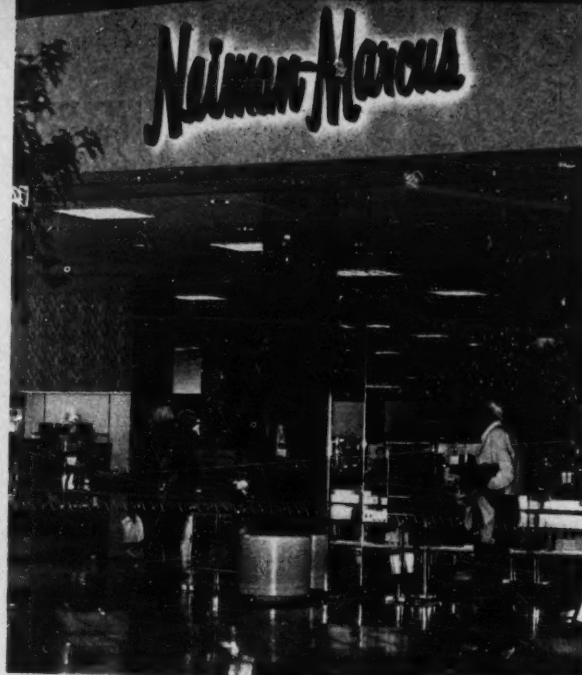
Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
The Kroger Co.	\$11,902	\$11,267	1,762	1,765
Kroger Food Stores	11,186	10,584	1,199	1,245
SuperRx Drug Stores	716	683	563	507
Lucky Stores	\$ 7,973	\$ 7,134	1,590	1,576
Food Stores	5,186	4,639	561	566
Lucky				
Eagle				
Food Basket				
Kash 'N Karry				
Department Stores	2,114	1,870	80	86
Gemco				
Memco				
Specialty Stores	673	625	365	331
Pic-A-Dilly				
It's-A-Dilly				
Yellow Front				
L & G				
Automotive			400	316
Kragen				
Dorman's				
Checker				
Honey's				
Statewide				
Fabric Stores			184	178
Hancock				
Fabric Warehouse				
Federated Department Stores	\$ 7,699	\$ 7,068	508	369
Department Stores				
Bloomington's	681	648	13	16
Abraham & Straus	651	605	15	14
Foley's	598	547	14	12
Burdine's	583	566	23	21
Bullock's (L.A.)	518	500	26	24
Rich's	430	399	17	17
Lazarus	389	376	17	16
Filet's	373	322	21	17
Shillito Rikes	343	342	14	14
Sanger Harris	329	299	14	13
Levy's (unit of Sanger Harris)	39	44	2	1
I. Magnin	256	258	25	25
Goldsmith's	131	125	6	6
Boston Store	118	112	8	7
Bullock's North	93	87	6	6
The Children's Place	69	54	89	—

Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
Supermarkets				
Ralphs	1,258	1,132	118	101
Mass Merchandising				
Gold Circle	501	397	50	36
Richway	322	286	30	23
Dayton Hudson	\$ 5,661	\$ 4,943	981	925
Target	2,412	2,054	167	151
Mervyn's	1,336	1,062	92	80
Department Stores	1,350	1,286	54	54
Hudson's	684	658	19	19
Dayton's	437	410	16	16
Diamond's	143	140	13	13
John A. Brown	86	77	6	6
Specialty Stores	562	541	668	340
B. Dalton Booksellers	374	319	662	597
Lechmere	188	165	6	6
Jewel Cos.	\$ 5,572	\$ 5,108	1,233	1,292
Supermarkets	3,488	3,147		
Buttrey Food Stores			58	54
Elmer Food & Agency Stores			34	32
Jewel Food Stores			204	207
Star Markets			52	52
Drug Stores	1,669	1,455		
Oscor			296	285
Sav-On			174	164
Other Operations	415	506		
White Hen Pantry			275	262
Jewel T Discount			140	161
F. W. Woolworth Co.	\$ 5,124	\$ 5,075	5,124	5,014
U.S. Woolworth	1,707	1,686	1,263	1,306
Kinney Shoe (U.S.)	910	838		
Kinney Stores			1,583	1,564
Susie's Casuals			296	298
Foot Locker			374	275
Frugal Frank's			14	4
Richman Brothers	198	186		
Richman			222	227
Anderson-Little			108	109
J. Brannan	85		30	39
Household Merchandising	\$ 4,650	\$ 4,338	1,113	
Vons	2,383	2,168		
T.G. & Y.	2,267	2,169		
May Department Stores	\$ 3,654	\$ 3,401	1,468	1,271
Department Stores	2,655	2,520	142	138
May Co. (Calif.)	655	604	34	33
Hecht	415	361	23	22
Famous-Barr	364	342	15	14
Kaufman's	269	287	10	10
May Co. (Cleve.)	189	222	10	10
Meir & Frank	177	176	7	7
G. Fox & Co.	153	165	8	8
M. O'Neil	140	126	10	10
May D & F	136	113	10	9
Strouss	101	77	9	9
May-Cohens	58	47	6	6
Venture	680	612	47	44
Volume Shoe	319	269	1,279	1,089
Supermarkets General	\$ 3,247	\$ 2,999	192	290
Pathmark	2,838	2,624	121	117
Rickel Home Centers	224	187	34	31
Department Stores	188	188	37	38
Hochschild, Kohn				
Howland-Stainbach				

**\$100
MILLION
CLUB**

Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
Melville	\$ 3,240	\$ 2,740	5,482	5,154
Apparel				
Marshall's	830	618	137	108
Foxmoor	179	196	616	588
Chess King	152	138	488	471
Wilson's	37	—	88	—
J. Putnam	2	1	7	3
Footwear				
Meldisco	759	689	2,002	1,939
Thom McAn	455	471	1,238	1,261
Open Country	24	20	79	78
Woodbridge	1	1	—	3
CVS	616	500	466	433
Kay-Bee	183	107	361	270
Allied Stores	\$ 3,216	\$ 2,733	533	512
Jordan Marsh (N.E.)	410	370	14	14
The Bon	370	350	35	35
Joske's	340	320	28	28
Stern's	310	280	15	15
Maas Bros.	270	250	19	19
Jordan Marsh (Fla.)	240	210	14	13
Brooks Bros.	180	160	34	28
Pomeroy's	120	115	14	14
Miller & Rhoads	110	105	22	22
Bonwit Teller	110	95	13	13
Donaldson's	100	95	9	9
Garfinckel's	90	83	10	10
Millers	80	75	11	11
Read's	70	60	5	5
Block's	70	65	9	9
Plymouth Shops	49	43	45	45
Associated Dry Goods	\$ 3,189	\$ 2,751	311	245
Department Stores				
Lord & Taylor	565	525	39	37
J. W. Robinson	415	380	21	21
L. S. Ayres	190	186	13	12
Sibley, Lindsay & Curr	164	160	14	14
Joseph Horne	160	155	13	13
Stix, Baer & Fuller	142	142	12	13
Denver Dry Goods	115	111	12	12
Hahne	104	101	8	8
Goldwaters	91	87	9	9
Robinson's (Fla.)	74	68	7	7
Stewart Dry Goods	66	64	7	7
H. & S. Pogue	65	63	5	5
Peters Dry Goods	45	43	7	7
Discount Stores				
Calvin	925	779	79	74
Carter Hawley Hale	\$ 3,055	\$ 2,871	1,026	948
Broadway (S. Calif.)	720	690	40	40
Emporium-Capwell	482	455	21	20
Neiman-Marcus	420	388	19	16
John Wanamaker	355	399	16	16
Waldenbooks	345	300	802	740
Weinstock's	180	172	12	12
Thalheimer	179	170	25	25
Holt-Renfrew	165	165	17	18
R. H. Macy & Co.	\$ 2,979	\$ 2,657	92	92
Barnberger's	900	732	23	23
Macy's N.Y.	815	903	16	15
Macy's Calif.	750	621	21	21
Davison's	225	214	13	12
Macy's Missouri	200	196	19	21

Source: Chain data and Chain Store Age Executive research



Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
BATUS	\$2,410	\$2,158	178	171
Department Stores	1,770	740	59	38
Marshall Field's	1,183	1,194	21	77
Gimbels East	410	417	20	20
Gimbels Midwest	184	170	11	11
Gimbels Pitts.	148	150	7	7
Specialty Stores	880	811	60	49
Saks Fifth Ave.	740	704	35	32
Kohl's	140	107	25	17
Supermarkets	650	600	64	76
Kohl's				
Zayre	\$2,140	\$1,797	620	567
Discount Department Stores	1,616	1,433	267	258
Specialty Stores	524	364	353	309
T. J. Maxx				
Hit or Miss				
McCrory Corp.	\$1,741	\$1,804		
McCrory Stores	760	762	718	729
Lerner Stores	682	717	790	767
OTASCO	291	291	284	277
Other Operations (including Britts)	8	34	1	1
Mercantile Stores	\$1,428	\$1,269	84	84
Gayfers	250	225	12	12
McAlpin	240	215	9	9
The Jones Stores	150	130	7	7
Castner Knott	140	125	10	10
Joslins	125	110	8	7
Gayfers/Montgomery/Fair	115	100	6	6
J. B. White	100	90	6	6
Bacons	95	85	6	5
Lion	80	70	3	3
SCOA Industries	\$1,155	\$1,058	943	931
General Merchandise	939	833		
Hill's			101	93
Rudnick			89	89
Dry Goods			6	4
Kelly & Cohen			40	40
Footwear				
Gallenkamp & Duet	216	225	707	705

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with Shopping Center Age September 1983
The newsmagazine for retail operations

**The only
national
department store
chain?**



New chairman and ceo:
William R. Howell

TWENTY DOLLARS A YEAR (USA)

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PROFILE

Howell takes charge of changing Penney

By increasing the frequency of customer visits, the chain intends to increase productivity

The woman shopper in the newly remodeled and remerchandised JCPenney store in the Tampa (Fla.) West Shore Mall browses among the rack of designer dresses, tries on several and buys two.

"I used to buy my children's clothes here and then go down the mall to buy my own clothes in the department stores," she says later.

But, she adds, there's something about the new JCPenney image that makes it look more like a chic department or specialty store and the clothes are more fashionable.

This metamorphosis of Penney from a purveyor of sensible apparel, housewares, paint, air-conditioners, garden equipment and automobile accessories into an updated fashion-oriented national chain is what 47-year-old William R. Howell inherited this month when he became chairman and ceo of Penney.

He succeeds Donald V. Seibert who elected to retire at the age of 60, the suggested retirement age for Penney employees.

Howell is inheriting a company:

- Whose current return on equity is about 14.7%, but whose goal is to have each operating division achieve a minimum of 15% by 1986.

- Whose sales per gross square foot for its large department stores are \$90 and whose sales per net selling square foot are \$166, both of which the company hopes to improve.

- Whose after tax return on its incremental investment in store modernization could exceed 20% within five years.

- Whose earnings growth rate goal is above 12.5% annually.

Howell, an Oklahoman who started off as a Penney trainee in 1958 after graduating from the University of Oklahoma, is considered a disciple of Seibert. He has been active in many changes that came about under Seibert's leadership, but is willing to

make changes of his own.

But, as do most Penney executives, he believes in evolutionary, rather than revolutionary, changes. During an interview covering a wide range of subjects, such as productivity, Penney's changing image, and the role of management, he constantly refers to the leadership of his predecessor.

In Seibert's last year as chairman, many changes were made. Gone are the hard goods. In their place is a wider selection of fashion-oriented apparel and home furnishings.

It reached a high point a few months ago when Penney inked a contract with the American couturier, Halston, to introduce an exclusive line of women's, men's and children's wear and home furnishings, called Halston III. It's all part of Penney's Fashion Program, started in the mid-1970's with a major expansion into new markets as well as the introduction of private label lines. Halston III is considered a house label.

The fact is, says Howell, that Penney is a department store, but not a traditional one. Because of its house brands, including Halston III, Penney is uniquely Penney's and has a national catalog, he says.

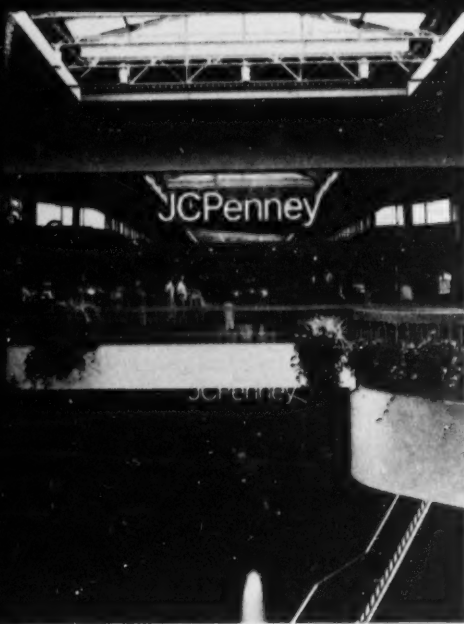
At the end of 1982, Penney operated 576 metropolitan department stores with 46.5 million sq. ft. of selling space that generated sales of \$7.6 billion. Sales were roughly \$90 a square foot of gross space (or \$166 a square foot of selling area), compared with about double that amount for highly productive department stores. Bernard Sosnick, retail analyst for L. F. Rothschild, Unterberg, Towbin, thinks that Penney can reduce this difference by 30% to 50% within three to five years.

Penney plans to achieve this improvement through a massive modernization program. The chain has budgeted \$1 billion over a five-year period for its department stores to enhance the appeal of the merchandise being carried.

The goal, according to



Howell, although a disciple of Seibert, wants to make his own changes.



The chain has budgeted \$1 billion over a five-year period to remerchandise its stores.

Howell, is to increase productivity and market share in each of its major territories by increasing the frequency of customer visits.

Early returns are bullish. In two Atlanta shopping centers—Perimeter and Northlake—stores were remodeled and the merchandise mix was updated. In the Perimeter store, sales increased 44% from February through June over the year-earlier period. Its volume had been \$15 million prior to the remodel. The Northlake store had sales of about \$20 million prior to its remodeling. Sales rose 7% during the first quarter, but have soared by over 20% since then.

Observes analyst Sosnick: "The Perimeter store was producing only \$135 per square foot of selling space, or \$73 per square foot of gross space. Compare that against the new Davison's store in Perimeter Mall, whose \$150 to \$170 per square foot of gross area was more than double the productivity of the Penney store."

Sosnick notes that Penney in Perimeter is already narrowing the gap, which he expects the entire chain to do as a result of this program.

However, there is a downside risk. With \$1 billion being invested to modernize its stores, Penney is betting heavily that it has the right retailing strategy for the future, says Sosnick. He adds that he thinks the strategy is right and will produce a big profit payoff over the next three to five years: perhaps in the \$10 to \$11 a share range, compared with \$5.87 a share last year.

"The issue in Atlanta," says Howell, "is to compete with Davison's and Rich's. . . . If you've been in Perimeter or Northlake, I think you'd have to conclude that JCPenney has as much opportunity as Davison's or

Rich's to capture the dollar in Atlanta."

"So we have to win the battle right there in Atlanta with those two competitors, and Kaufmann's in Pittsburgh, and Sanger-Harris in Dallas, and the May Co. and The Broadway in Los Angeles."

The woman shopper who bought the two designer dresses in the Tampa West Shore Mall store exemplifies what Penney is trying to achieve. A market study of Penney's customers showed that the same customer who shopped Penney nine times a year to buy her basics went down the mall to a department or specialty store to buy her fashion merchandise.

Noting that 107 million people shop Penney annually, Howell's predecessor, Don Seibert, says that: "If we could get just one more \$20 sale from each of them annually, it would boost our sales by more than \$2 billion. Opportunities don't come much bigger than that."

Howell elaborates, saying that Penney is addressing the customers who shop frequently, and return to a store more frequently because they have special success in getting what they want.

"So, obviously . . . we intend to make Penney more attractive from a fashionability point of view," says Howell. "If the customers would shop more frequently for those things they [previously] have not found available in Penney's, then we would have the volume that he [Seibert] made reference to."

For the fiscal year ended Jan. 29, 1983, Penney reported sales of \$11.4 billion and earnings from continuing operations (it restated its figures to

eliminate automotive operations) of \$430 million, or \$5.87 a share. Wall Street earnings per share estimates for the current fiscal year range from \$6.50 upward.

In the first part of its current modernization program, 38 stores are being remodeled in New York, Miami, St. Louis, Houston and Sacramento.

Most of the remodels are being designed in-house, but two—Roosevelt Field on Long Island and Cumberland Mall, Atlanta—are being done by the Walker/Group and Copeland, Novak and Israel respectively. The idea is to get the internal and external thinking and incorporate the best of the ideas into future remodels, says Howell.

Estimates are that it costs between \$2 million and \$3 million for the remodeling of each Penney store, with this figure sometimes hitting \$4 million. This works out to between \$20 and \$30 a square foot.

"We don't start off with a limitation on stores in terms of expenditure levels or a minimum," says Howell. "Either way, what we do is look at a store in terms of its growth potential, its competitiveness and its potential profitability."

Of the \$395 million allotted for capital expenditures this year, about \$250 million will be for the modernization program. Each store has about \$200,000 budgeted for a mix update program.

Howell explains mix update, saying that after certain merchandise categories have been removed, the space has to be filled. "We're not going to build another 600 full-line stores. We've got them in place, all

Will the real department store please stand up?

Is JCPenney really a national department store chain if it doesn't have a broad selection of hard lines, including auto accessories and major appliances?

If it is a national department store chain, is it the only one? There seems to be some argument.

Says William R. Howell, chairman and ceo: "We are a department store. We are uniquely Penney's and we have a national catalog. That also presents us in a way that we can become known and we plan to capitalize on the fact that we can be the only national department store."

"There's no one else in apparel lines and the home furnishings lines that can present themselves the way we can, market by market and nationwide with one name plate."

But wait. We haven't heard from Sears, Roebuck and Co. Edward A. Brennan, chairman and ceo of the Sears Merchandise Group, said at a store opening in King of Prussia, Pa., in July:

"Today when you look across the industry, Sears really is the only true department store—not in the sense of higher prices, but in the context of offering a broad array of goods—soft lines and hard lines alike."

"We have developed a true department store—the one place where 36 million American families who regularly shop at Sears can find everything they want and need: hard lines, appliances, home fashions, automotive, apparel, financial services."

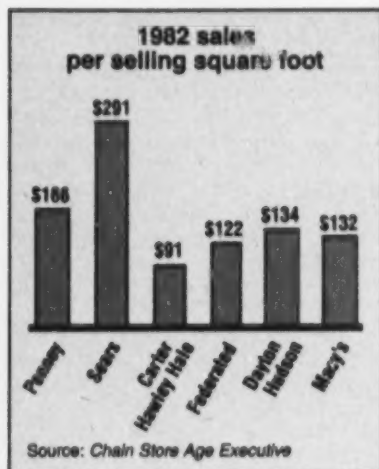
built at 1960 and 1970 construction costs—a competitive advantage.”

The company's new sales mix provides a slightly better inventory turnover rate and requires less of an investment in accounts receivable. As a result, working capital requirements will be reduced by \$150 million.

Jeffrey Edelman, an analyst for

DISTRIBUTION

Yesterday's vision becomes today's reality at The Limited



Dean Witter Reynolds, projects Penney's after-tax return on the incremental investment could exceed 20% within five years.

In the context of the estimate being on incremental return on investment in the modernization program, it is a reasonable estimate, comments Howell.

Penney's goal is to raise the minimum to 15% ROE up from its current level of 14.7%. To exceed 15% will require a consistent earnings growth rate of 12.5% annually.

None of Penney's plans for increased productivity call for reducing payroll on the selling floor. "Our plans call for heavier investment in human resources. Over the past few years, Penney has not been taking away hours from the selling floor at the expense of nonselling hours and management hours."

Last year, Penney's selling, general and administrative expenses were \$2.76 billion, or 24.2% of sales.

On management, Howell says the two most important positions in the company are the store manager and the buyer, "and I believe that emphatically."

Howell spends about one-third of his time traveling around the country. "You can't know what's going on, sitting upstairs," he says.

You can learn a lot by studying the numbers, he adds, but "I want to sit and have lunch with a store manager and a district manager and let them express themselves: their confidence, their doubts, their fears, whatever it might be."

Not many retailers would plan a 535,000-sq.-ft. distribution center to service more than 10 times their present volume in the thick of a recession in one of the hardest-hit parts of the country. But that's exactly what The Limited planned in Columbus, Ohio, in 1975, when the young chain had only 100 stores.

"We had vision," says Bob Morosky, vice chairman, who adds that, "by the end of July 1983, all our stores were served out of this facility." That was no small feat, since in the past year, The Limited acquired both Lane Bryant and Roaman's and closed both distribution centers.

As a result, the Columbus center nearly doubled its distribution load, going from 500 stores to 900 stores in July.

The present building has 320,000 sq. ft. on the floor of the distribution center with a mezzanine processing

for The Limited, Limited Express, Lane Bryant and Sizes Unlimited.

The Limited stores specialize in the sale of medium-priced fashion apparel to women between 20 and 40 years of age, with stores varying in size from 3,000 to 6,000 sq. ft. The Limited Express is a scaled-down version, ranging from 1,200 to 4,000 sq. ft. offering popularly priced merchandise for a somewhat younger consumer. Both Lane Bryant and Sizes Unlimited specialize in special-size apparel, with Lane Bryant featuring medium-priced merchandise while Sizes Unlimited is an off-price operation. The average Lane Bryant is 6,000 sq. ft. and the average Sizes Unlimited is 4,000 sq. ft.

The Limited's corporate distribution center was not only unusual in its vision, being planned at a time when most retailers were thinking about restraining their inventories, but it is



The Limited's private labels, Hunter's Run and Cassidy, are embroidered daily on 50,000 items.

area of about 110,000 sq. ft. and two levels of office area of about 55,000 sq. ft. each. It has the capacity to serve 1,200 stores and, Morosky says, "We have sufficient land on this site to construct two more centers. Theoretically we could serve 3,600 to 4,000 stores."

For now, Victoria's Secret, its small lingerie chain out of San Francisco, is the only retail store division of the company that is not serviced out of the Columbus facility. The distribution center ships from coast to coast

unusual in its design. "The Limited heats and air-conditions this facility because we believe it improves standards and productivity," says Don Bird, vp-physical distribution.

The center, constructed in 1978, underwent the final stages of building during this past summer when the control room was enlarged from 1,300 to 2,700 sq. ft., office space was expanded and additional distribution bays were added to accommodate the Lane Bryant stores.

According to Bird, all of the stores'

Xerography: A retailer white paper

Chain Store Age Executive's research shows copier machine expenditures averaging \$380 million

High within the dark glass office tower of company headquarters, locus of corporate synergy, a restless crowd gathers. Sue fingers the latest divisional sales report. Barbara holds the chief's morning dictate to the legions. Ellen must collate and sort price changes for hosiery. And Joe is running off 20 copies of a chain letter that promises to reap his fortune.

The scene is no joke. Indeed, along with waste, breakdowns and changing technology, it is one of many familiar headaches retail executives face with copier machines. A re-

search study commissioned by *Chain Store Age Executive* shows that more than any other piece of equipment, the copier has become a commodity in the modern office.

One large discounter churns out over a half million copies per month. Adding the cost of the machines to that company's cost per copy, along with employee time, a finance executive there says annual copying costs are "Fantastic. Without getting out the records, I'd say it's got to be several million dollars." Adds a department store executive, "Copiers are

simply a cost of doing business today. They are something you can't do without."

The retail executive, unlike his colleagues in some other industries, operates on a tight margin, particularly at the discount and supermarket level, so that selecting a copier system and controlling its costs are an important business decision.

Retail chains watch that expense very closely," says Alex Piteo, marketing manager at AB Dick, an office machine manufacturer and distributor. "They deal in high volume at low margin; overhead becomes critical."

Our special study set out to determine the brands of copiers retailers use, what they pay for them annually, and how they rate the various suppliers. The sample takes the top 100 chains in five categories: department stores, discounters, supermarkets, specialty stores and drug stores. Some 40 chains represent each group for a total of 200 major retailers. Dollar volume averages \$380 million, and reaches over \$1 billion; units average 160 and run as high as 445.

Vps of finance or operations and controllers and treasurers most often buy for large chains, while the chief executive buys for smaller companies. Nearly 75% of these executives advise the purchase, 68% approve the purchase, 35% recommend a specific manufacturer and 29% prepare and develop copier needs.

Average annual capital expenditure on copiers comes to \$33,600, with a high of \$44,300 by department stores to \$23,800 for discount stores. A significant number of retailers spend over \$81,000 a year on copiers: 12% of department store chains, 10% of specialty stores and 8% of drug stores.

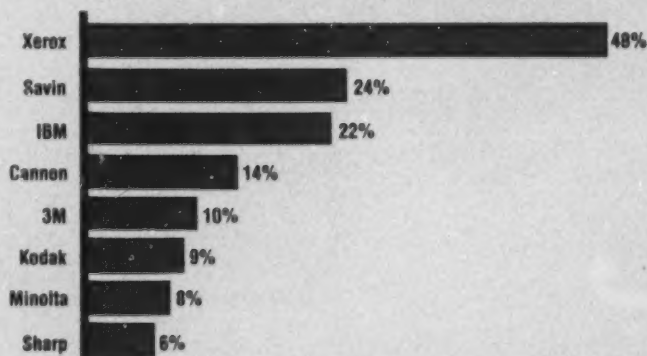
Xerox leads the supplier pack, selling 48% of the retail chains, but both United States and Japanese competitors are gaining market share. Savin sells to 24% of the companies, IBM sells to 22%, followed by Cannon, 3M, Kodak, Minolta and Sharp. (See accompanying charts.)

Once retailers step away from the Xerox machine, peculiar group preferences arise. Supermarkets, for example, favor the IBM copier with 35% saying they use it, while none said they bought the Minolta and Sharp machines. But Minolta is one of the favorites of specialty chains, taking 20% of their copier market. And the department stores take a fan-



Time spent waiting to use a copier is a familiar headache to retail executives.

Percentage* of retailers using top eight copiers



*Adds to more than 100% due to multiple responses
Source: Lebhar-Friedman Research

cy to Sharp, giving that copier 12% of their business. At least two in 10 chains use either Savin or IBM, while one in 10 use Cannon or 3M.

When asked which copier they thought was "best" the executives were more ambivalent. Xerox took 31% of the "best" votes, but fewer than one in 10 executives rated the others "best." Kodak got 9% of the top rankings, followed by IBM with 8%, Savin with 5%, Cannon with 4% and Minolta with 3%.

Few executives chose to cite a "worst" manufacturer (78% did not respond to the question), indicating they view no copier manufacturer as extremely poor. And while Xerox leads the copier industry in retail usage, AB Dick's Piteo says there are "very, very few" differences among the major machines.

High volume users can expect to pay about \$60,000 for a copier that will handle 25,000 to 125,000 copies a month, according to Terry Dillman, manager of product publicity at Xerox. A very high volume machine capable of producing from 50,000 to 1,000,000 copies a month will run about \$130,000.

A low-volume user will pay from \$3,500 to \$4,500 for a copier that can put out 3,000 copies a month. More advanced low-end copiers cost up to \$15,000, with collating, sorting and other capabilities. The bottom price is dropping rapidly, however. Cannon manufactures a simple copier that now sells for under \$1,000, "incredibly inexpensive," Piteo notes.

Costs in all price ranges should continue falling, with rampant price cutting still raging in the copier industry. "Prices are still coming down," Piteo says. "If there's going to be any area in the next couple of years that will be under really severe price competition, it will be in the high volume copiers in the \$30,000 to \$130,000 cost range."

Intense competition continues to pace technological advances in copiers. Removable component parts have replaced the complex mechanical innards of yesteryear's machines, dramatically increasing their reliability and flexibility. These new copiers use microprocessors with self-diagnostic systems.

Microprocessor copiers have far fewer moving mechanical parts than the older machines, and therefore have fewer chances to break down.

As the new copiers become cheaper and simpler, their uses expand. For a retailer some common functions include copying accounting, tax and payroll records, inventory sheets, ad layouts, customer invoices, billing, cancelled checks, freight bills and even sales slips. Within a

regional chain, copies of price changes may go out to buyers in several stores and cover hundreds of products.

While the duplicate form still holds sway in routine paperwork—its cost is only 0.5¢ per page compared with 2¢ to 3¢ per copied page—the copier is faster, more convenient and far more versatile.

Determining what kind of copier to buy will hinge on three basic criteria:

- How many copies does the company make each month, how many persons use the copier and what kinds of copies will be made?
- Is there a need for collating, sort-

ing, binding or reduction capabilities?

- How many copies will be mailed?

The purchasing decision finally rests, of course, on return on investment. Unfortunately, payback is difficult to measure on copiers. Often it boils down to convenience. The return is derived from the time saved by those who use the copier, the value of that time, multiplied by the number of users. Probably the closest determination of payback would be a comparison by buying vs. rental cost.

The average lifespan of a high-volume copier is from three to five years, while a low-volume copier lives from

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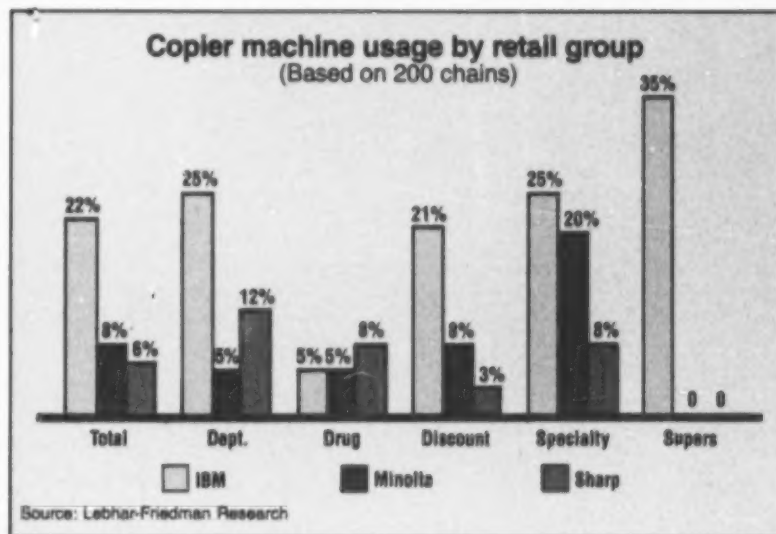
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two to three years in a business. Most manufacturers offer a plethora of different rental plans on copiers.

The top-of-the-line Xerox 9500 costs \$125,375 for the basic unit and has a 50,000-plus-copies-per-month capacity. It rents on what is called a volume plan for \$2,100 a month for the first three months of a three-year contract, with an additional charge for each copy over 50,000. The monthly charge rises as the number of "free" copies escalates. As many different plans as there are retailers are available.

Waste, of course, is always a concern. The higher the volume of copying, the greater the potential hazard. In many offices, the copier has replaced the water cooler as a trysting spot. While our typical Joe copies his chain letter, the Sues and Ellens mill

around waiting for him to finish, wasting valuable employee time. And at 2¢ to 3¢ a page, personal use can be a major source of waste for companies with hundreds or thousands of employees.

Time spent getting to the copier creates another productivity hitch. If an employee must go down a flight of stairs or cross a building floor, wasted time again multiplies.

But whatever copier system the retailer chooses, whatever his size or whatever his organization, the copier is an expensive and necessary commodity. The calculation of return and productivity is as important here as in any other purchasing or operating decision. "If you remember that when you buy a copier," says Piteo, "you take away a lot of the pitfalls."

—Carolyn Lochhead

OFFICE EQUIPMENT

Chains display ingenuity in reducing copier costs

The green-striped computer printout has been purged from Salt Lake City's largest department store chain. At ZCMI, a high-speed laser copier by Xerox now automatically reduces data to 8½ x 11 in. paper that can be prepunched for various formats. "We have eliminated stock paper," says Clyde Jones, ZCMI's purchasing agent.

The laser is one of many innovations in copiers that has freed retailers from old headaches. ZCMI in Utah, J. L. Hudson in Detroit and Von's Grocery in El Monte, Calif., prove the point.

These retailers, through careful and creative operation, have improved the efficiency and economy of their copier systems. By using an in-house print shop, buying in volume or leasing, each has cut copying costs.

To a high-volume user, leasing may be especially cheaper—both in true costs and direct costs—than buying. Lease-purchase agreements allow the user to depreciate the machine, and at Xerox and other manufacturers, price incentives are built into the leasing plans to encourage companies to "take it and try it," according to a Xerox spokesman.

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Woolworth:
turning
back the
clock?

TWENTY DOLLARS A YEAR (USA)

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Keeping in touch with communications

New phone systems can boost productivity and determine the direction of office automation

With the breakthrough to a system that can transmit both voice and data, the telecommunications industry predicts that the computerized PBX, or private branch exchange, will become the hub of the automated office.

Even for a retailer with as few as 200 telephone lines, a switch with this capability can not only save hundreds of thousands of dollars over its lifetime, but it can determine the direction of office automation.

A special study by *Chain Store Age Executive* shows that awareness levels among major retailers of the number of manufacturers offering this new equipment is low, and usage is even lower. While 94% of the 200 department store, discount, drug, specialty and supermarket chains surveyed recognized A.T.&T., 93% G.T.E. and 83% I.T.T., only 43% had ever heard of Rolm, and only 32% had heard of Northern Telecom. Companies such as IBM, United Technologies, Ericsson and Continental Telecom were rarely mentioned.

Over 40% of the retailers surveyed use A.T.&T. equipment, and the only other manufacturer used by more than 1 in 10 of the chains was Rolm, with 13%.

Last year, retail chains spent an average of \$123,000 each on communications equipment, according to the survey. Department stores averaged \$310,300 in expenditures, discount stores spent about \$113,900, specialty stores, \$74,100, supermarkets, \$68,000 and drug chains averaged \$33,600.

Over two-thirds of the chains expect annual expenditures to fall. Drug chains appear to be the least committed of the chains surveyed to spending large amounts of money on communications equipment, not only spending the least of any chains on equipment last year, but also expecting the largest decrease in expenditures this year.

Yet with the breakup of the Bell system there has never been a better time to buy. Telephone equipment manufacturers are in a pitched battle for the huge emerging market that the new communications-based information systems have created.

Two major issues emerge from deregulation. First the good news: Prices have fallen an estimated 40% in the last two years, and they will continue to fall for at least the next two years. Price competition among manufacturers is intense as they attempt to gain market share.

Says Hank Green, director of advertising at Executone, a subsidiary of Continental Telecom: "The strategy in the industry is to cut prices, even if we don't make our margins.



Ballpark estimates for systems range from \$25,000 to \$150,000; for individual sets \$900 to \$1,100.

So we may just break even, or we may even take a loss on a very big system." Profits will be made up later, the manufacturers hope, on adds, moves and changes once the system is sold.

But the bad news is that an industry shakeout is expected, especially now that the large computer companies have entered the market. To be safe, the retailer should buy from a manufacturer who has "national clout," says Green, one who can get equipment and will be around later to service it. Among smaller regional distributors and manufacturers, "the fatality rate is very high," Green says.

The retailer who is upgrading or replacing his communications system faces a complex decision that requires examination of not only voice equipment, but of data processing systems

and computerization at store level.

"To put in a phone system is not just to put in a phone system," says Green. "The retailer should also ask whether he's going to use graphics, electronic mail, message answering service, word processing. He should ask whether he's going to use personal computers and whether or not they're going to be attached to a mainframe."

Adds Carol Reid, a sales manager at Rolm, "You have to be careful about the architecture of the system you buy. We're all moving into some form of office automation, some of us more quickly than others. But given the fact that you're going to have this sys-

tem 10 years from now and really get maximum benefit from it, you want to buy something that is proven, yet quite state-of-the-art."

In buying or on a lease-purchase, payback can be enormous. The big sales pitch now, of course, is the savings over renting from the Bell system. Payback in hard dollars can

This is the second of a five-part series on how retailers use automated office equipment to maximize the efficiency of running their businesses.

The October feature concerns itself with the use of telecommunications. September dealt with copiers. In subsequent issues, we will discuss electronic typewriters, desktop computers and word processors.

The surveys were conducted by the Lebar-Friedman research department exclusively for Chain Store Age Executive.

come in as few as two years, with depreciation and the investment tax credit.

But the real savings in any system will come through its productivity. "Savings over the lifetime of the system can run into millions of dollars," says Rolm's Reid. With the integration of voice and data, and with features that cut down on long distance charges and operator time as well as user time, increased productivity through faster, cheaper communication can be "absolutely enormous," all vendors agree.

Most telephone equipment manu-

facturers—Rolm, A.T.&T., Executone, Northern Telecom, G.T.E. and others—offer the wide variety of features that have made telephone systems faster and more efficient than before. These features include centralized attendant service, code calling, automated call distribution and route selection, speed calling and hundreds of others.

In fact, almost any software-based system can be tailored to a retailer's specific needs. "Once the equipment's in," says Green, "you can do whatever you want with the software. They are very adaptable." And the

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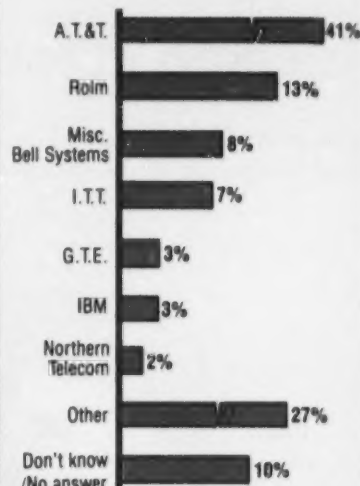
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Usage by retailers



Source: Lebar-Friedman research

retailer can expect the hardware to last "easily 15 to 20 years," says Green. "Your switch is not going to wear down. Unless there are some incredible changes in technology—in the hardware—the phone system should be good for as long as you want to use it."

What is most important to look at then, is not necessarily the features, but the total design of the system. Manufacturers generally agree that the retailer should examine a system for the following basic points outlined by Joseph Riceveuto, a manager of retail phone systems for A.T.&T. Information Systems:

- The system should be communication-based. Future systems will rely on the voice system to transmit data.
- Because voice and data systems depend on each other, they should have a common architecture.
- Systems should be multifunctional, so that features such as call waiting or automated call distribution are able to work simultaneously.
- The system should have distributed architecture, the ability to place the power and capability of the system where it's most needed, and to allow logical growth phases.
- The system should be easy to use. Access codes, for instance, should be standardized and easy to remember.
- The system should have room to evolve and be able to grow and change as business needs change. This means modular, incremental growth that avoids the expense and disruption of complete replacement.
- Customer control is essential. One person or group of persons in the retail operation should know the system and be able to customize it.

Executone's Green stresses training. "Absolutely get one person who knows the system in the company. Demand that the vendor train your people." He adds that with the advent of computer chips in telephone sets, in-house repairs and moves are much simpler.

Service is equally important. Green recommends a double guarantee, one from the distributor and a backup from the manufacturer. "You should make sure that the system is installed right, that your people are trained right, and that if there's anything wrong with the system, there will be no hassle, no having to call them back and say, 'Where are you?'"

Reid suggests that a wide geographical dispersion of a retailer's stores will require a vendor with a good distribution and service network. But a retailer should not be afraid to look at a variety of vendors. Though A.T.&T. dominates, many well-established companies now claim a significant portion of the telecommunications market.

The retailer should also audit his past phone usage to determine calling patterns and he should interview employees at all levels to discover their needs. He should decide how

he wants to handle incoming customer calls.

The cost of a system is difficult to pinpoint, since it varies widely depending on the number of PBXs, the number of trunks, lines and functions. Ballpark estimates range from \$25,000 to \$150,000 by some vendors. Cost per installed telephone set

should be between \$900 and \$1,100, with simpler systems on the lower end. "We've found that retailers generally don't go in for all the sophisticated razzle dazzle," says Green. "They are very, very conscious of their bottom line and just want a phone system that does the job, with no frills."

—C.L.

OFFICE EQUIPMENT

Telephone systems cure many retailers' hang-ups

Maybe it's just the lilting Southern accent that makes a phone call to Rose's Stores in North Carolina a pleasure. But maybe, too, it's because a caller gets no busy signals, gets no disconnects and reaches the right person with a minimal wait.

The 239-store discount chain installed a Rolm CBX phone system five years ago to replace a "really obsolete" switchboard, says Janet Joyner, a Rose's administrative assistant in finance who, trained by Rolm, helped the company convert

to the new system. Rose's has over 300 electronic telephone sets in its two main offices, and together they handle as many as 2,300 calls a day using two operators. "It's a lot faster and just a much better system," says Joyner. "It's really fantastic."

The system links the executive buying office and the accounting division, and each of the company's stores can be reached by its own code number, which is the same as its store number. To contact a store, the caller punches in the code and the tele-

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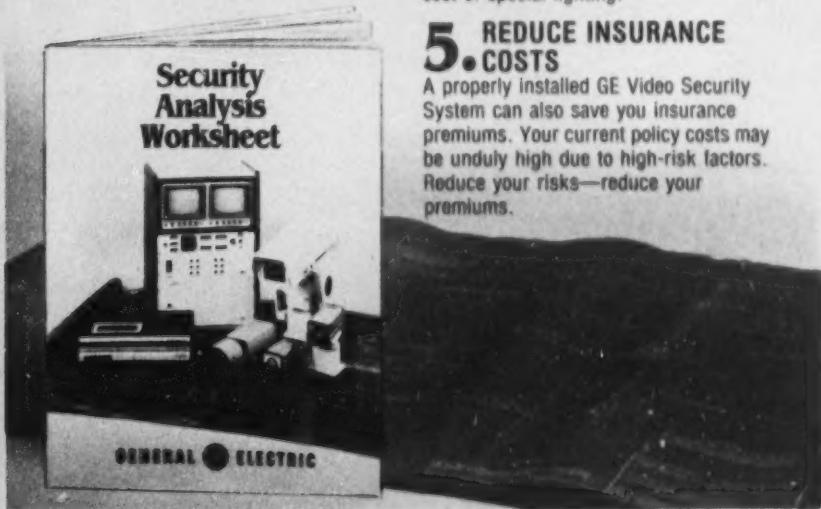
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GENERAL  ELECTRIC

phone set automatically dials the number. It's one of many features that make Rose's system both time- and cost-efficient.

Another is route optimization, a feature just added. Now the system, rather than the caller, decides which WATS or North Carolina line the call goes out on. "That's eliminated some of the problems we've had here from the way we were handling our calls," says Joyner.

It not only restricts long-distance usage to certain offices, but it allows the caller to "camp-on" to the WATS line if it is busy. When the line is free, it rings back the caller and automatically redials the number. "That's the nicest thing we've ever had," says Joyner. "It saves a lot of time and it cuts out all those long distance charges we had, too." Before installing route optimization, calls would go out on direct long distance dial without waiting for a free WATS line.

Publix Super Markets in Lakeland,

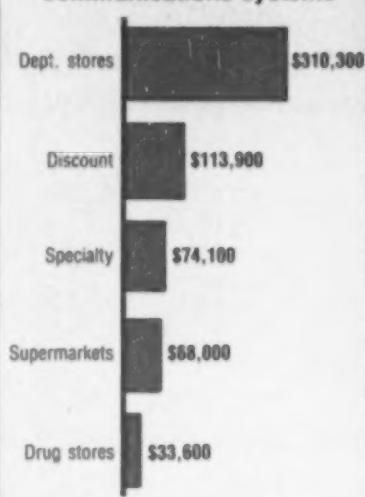
Victory Markets' new phone system should pay for its \$200,000 cost within two years

Fla., with 258 stores, is still experiencing the frustrations of more antiquated phone systems. Mark Hollis, director of public relations, says the old G.T.E. system "is as simple as you can get. All I can say about it is that it works. We're probably a little bit behind a lot of companies in that regard. For instance, if somebody wants to ring me, they can't just dial me, they've got to go through the switchboard and stand in line. It's kind of cumbersome, really, and it often gets tied up."

Victory Markets in Norwich, N.Y., a 90-store supermarket chain, has just installed an American Telecom system, with many features such as speed calling, automatic route selection, transferring, call-park and call-waiting that speed telephone use and cut costs. Victory has 200 electronic telephone sets tied to six trunk lines, all hooked to an in-house micro-processor.

But inadequate training has caused some problems with the new system. "Everyone went through training," says Edison Vradenburgh, director of information systems, "but I suspect that we're probably utilizing very few of the features. You wind up using the ones that suit your needs and never use the rest of them. If you can't remember the procedure, it's almost useless. If you have to look it up, you just say forget it, and use the old method."

Average 1982 expenditure on communications systems



Source: Lebhar-Friedman research

Vradenburgh says, however, that the new system should pay for its \$200,000 cost within two years, based on historical cost information and heavy phone usage.

One other disadvantage to the system, however, is that though it has a "fairly sophisticated reporting structure" through which the microprocessor records all calls and simplifies accounting of phone charges, "It has problems identifying certain calls—collect calls for example," says Vradenburgh. "So we wind up extending the charge internally, even though there's no charge incurred on the trunk line. In some areas, that's a pretty heavy overstatement and we have to make adjustments."

White Drug Enterprises, a 38-store chain in North Dakota, has recently bought a Tel Tech phone system for its warehouse, main office and new stores. White Drug would completely replace the old system, were it not locked into some long-term leases, according to Morris Granalen, manager of store planning.

"We're looking for the savings we get in purchasing over renting from Bell," Granalen says. "And it's pretty much the flexibility of changing and upgrading that we're after. In the past, it was a major thing to do any upgrading at all. We were locked in."

White Drug will connect its new phone system into data processing, tying computer lines to the home office. "We will be able to send data directly from the stores to the home office, and tie in our energy management system as well."

White Drug also hopes to get better service with the new system. "We have quite a long lead time in getting anyone from Bell out," says Gra-



A computerized PBX can save hundreds of thousands of dollars over its lifetime.

halen. "You look at two, three weeks, sometimes a month, to get some telephone changes made. Better service would be a big advantage, and we'll get that with the new equipment."

For a very large system, the Dallas-based Southland Corp., the nation's 10th largest retailer, uses United Technology's UTX 5000 in its corpo-

rate headquarters. The system has 1,200 stations, three off-premise extensions, 54 central office trunks to the Bell network, 48 tie trunks and two operator consoles. It is UT's most powerful switch, capable of running from 300 to 5,448 extensions which then can be expanded in cluster groups all the way up to 25,000.

The UTX 5000 also has a redundancy feature that Bill McMinn, manager of data and communications at Southland, likes. "It automatically switches over to the A side if the B side fails, and I like that for a PBX of that size." He notes that Southland at first "had a lot of problems" with the UTX 5000, possibly because the switch was marketed "before the engineering was really complete and tested," McMinn says. But with some software and wiring changes, "It seems to be all cleaned up now and it runs pretty well."

If he were to advise a large retailer on what to get in a phone system, McMinn says, "Definitely have a switch that can run voice and data."

The reason: "You get rid of thousands and thousands of miles of coaxial cable, and on that alone you'll save," McMinn explains. "You have a central system of data and voice running on the same wire, so all your terminals—especially in a large corporate building that has, say, 400 to 500 terminals—are easy to tie into and easy to access from one building to another, from one office to another, or when offices are moved. It eliminates all that hardwiring. There's no problem at all with [changing] the software. You just plug into your phone, and every office has a phone, so it's all modular. That's the biggest advantage you can get." ■

CONVENTION

NAWGA theme: Boosting wholesaler productivity

How computerization can increase grocery wholesalers' productivity will be a major topic at NAWGA's Food Industry Productivity Conference and Physical Distribution Equipment Exposition. The productivity conference is slated for Oct. 23-26 in Houston's Astrodome.

Attendees are expected to analyze the trend toward consolidation and computerization among grocery wholesalers in the wake of the nation's recent economic downturn. Some operators who survived the recession are emerging as larger com-

panies with greater capital resources and product lines.

And, according to Gerald E. Peck, president of NAWGA, "the leaders in the industry are on the leading edge of the use of computers."

NAWGA, the National-American Wholesale Grocers' Association based in Falls Church, Va., is the trade association representing grocery wholesalers who together operate approximately 700 distribution centers nationwide.

"The rate of productivity in grocery distribution is—to a greater ex-